



Titan Petrochemicals Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1192)

Announcement of Results for the Year Ended 31 December 2007

Financial Highlights

HK\$ Million

	2007	2006	Change [#] %
Revenue	17,004	11,460	48.4
Profit/(Loss) Before Tax[*]	(24)	110	(121.8)
Profit/(Loss) attributable to Shareholders[*]	(29)	100	(129)
EBITDA[*]	772	868	(11.1)

* Including gain from disposal of vessels of HK\$262 million in 2007

% change is computed based on amounts in HK\$ millions

Highlights:

- *2007 was a year of continued investment for Titan*
- *Further progress in rationalizing asset base and group businesses*
- *Revenues higher, but difficult operating conditions affected earnings*
- *Improved credit profile with cash position at HK\$2,111 million*

Chairman's Statement

Titan made significant investments across its businesses during 2007, as we continued to build our resources as a fully integrated oil logistics company to capture future growth. We completed the acquisition of Titan Quanzhou Shipyard, a unique multifunctional facility with very strong prospects in ship building, ship repair and offshore engineering.

However, market conditions for almost all of our businesses were very challenging in 2007. The VLCC market remained depressed for the greater part of the year, and oil prices rose higher in the second half, with increased volatility. Despite our timely decision to reduce exposure to the VLCC market and expand the customer base of our supply chain businesses, this difficult operating environment inevitably affected the Group's performance in 2007, leading to a significant decline in earnings.

In 2007, we continued our strategy of rationalizing Titan's asset base and businesses, reducing our earlier dependence on the VLCC market. We also advanced the build-out of our terminals in China, bringing in a strategic partner, and making improvements to construction budgets and scheduling. As a result, both the Group's tangible assets and its headcount have increased substantially. With a strong cash position, we are well placed to make further headway in 2008 and beyond, with growth driven by our investment projects in China.

Going forward, the increased diversification of the Group's businesses, rising prospects for our shipyard and onshore storage operations, as well as the continuing development of our integrated oil logistics capabilities puts Titan on track for future earnings stability and growth when the market recovers.

Results

The Group's revenue for the year was HK\$17,004 million, an increase of 48.4% over 2006. Gross profit decreased by 31.1% to HK\$457 million, while earnings before interest, tax, depreciation and amortization (EBITDA) decreased by 11.1% to HK\$772 million, including a gain on vessels disposal of HK\$262 million. Loss attributable to shareholders was HK\$29 million, compared to a profit of HK\$100 million for 2006. Against this background, the Board has decided not to declare a dividend.

Financial Resources

The Group's credit profile improved, with a much stronger cash position of HK\$2,111 million at 31 December 2007. The Group's gearing stood at 0.49, compared to 0.57 at the end of 2006. Cash flow remained positive during the year and included the receipt of US\$175 million (HK\$1,365 million) in capital from the investment by Warburg Pincus. Capital expenditure was 42.3% lower than last year.

Business Review

Shipyard

In October 2007, the Group completed the acquisition of Titan Quanzhou Shipyard after obtaining independent shareholder approval and satisfying all other conditions. Total consideration was HK\$1,326 million, split between cash and shares, and included a partial earn-out mechanism. Total revenues for the Titan Quanzhou Shipyard for 2007 were HK\$114 million and segment result was HK\$16 million.

Titan Quanzhou Shipyard is a unique multifunctional facility that when fully operational in 2009 will be one of the largest ship repair, offshore engineering and specialized ship building yards in Asia. Its ship building operations began in September 2006 and work on four additional docks and a second slipway started in the first quarter of 2008.

During 2007 the yard delivered its first two vessels, both 6,500 deadweight ton (dwt) bunker tankers. The yard will deliver ten ships in 2008.

Storage

In 2007, revenues from the Group's storage operations increased 120.4% to HK\$212 million and segment result increased by 314.5% to HK\$106 million.

Revenues came mainly from the four floating storage units (FSUs) in Malaysian waters near Singapore. There was also a small initial contribution from the first phases of the Nansha and Fujian terminals, our onshore facilities in China which started operations in late October 2006 and April 2007 respectively.

FSU revenues increased 105% to HK\$197 million, while segment results rose 307.9% to HK\$109 million. The growth in revenues and segment result was due to the expansion of capacity, which stood at over one million tons at the end of 2007 compared to 375,000 tons a year earlier. The additional capacity came from the strategic conversion of three VLCCs from our transportation fleet, as reported at the interim, bringing the total number in operation to four. Two of these units were leased out to major multinational oil firms, with the remaining two used to support the Group's supply and distribution businesses.

At our onshore facilities in China, utilization for the 410,000 cubic meter Nansha Terminal Phase I, declined in the second half of the year from the first half. The decrease was due to significantly lower activity and decreased volumes from customers in China, who suffered from increased market volatility and negative import margins following the surge in oil prices. Average utilization of the Nansha terminal for the 12-month period was 43%. Overall, revenues from the China terminals were HK\$15 million and segment result was a loss of HK\$3 million.

Despite the temporary decline in the second half of 2007, we have seen a significant increase in demand and consequently a marked improvement in utilization during the first quarter of 2008. In view of the trends in market demand, the Group has gone ahead with the construction of the 305,300 cubic meter Nansha Phase II, for completion by the end of 2008, whilst reserving another 1,084,700 cubic meters for Phase III, which will begin later, and become operational by 2010.

After Phase I of the Fujian terminal became operational in April with 90,000 cubic meters of oil and chemical storage, the Group started construction of a 100,000 dwt jetty in November 2007. This is also in response to market demand and completion is expected by end of 2009.

Construction of Phase I of the Yangshan Petrochemical Terminal, near Shanghai, which consists of 420,000 cubic meters of fuel oil storage, has progressed substantially, is expected to be operational by the second half of 2008.

Supply Chain (Supply & Distribution)

The Group's supply chain business incorporates both our supply business, which provides procurement of oil for external customers, and our bunkering or ship refueling operations in Singapore, Malaysia and Hong Kong, which act as the internal customer for our supply operations. In 2007, Titan had risen to become the eighth largest supplier of bunkering services in Singapore from our number 10 ranking in 2006 — a considerable achievement for a business we entered only in 2004. Our bunkering businesses in Malaysia and Hong Kong also gained ground.

Revenues for the business in 2007 increased by 66.4% to HK\$15,442 million and segment result decreased 27.8% to HK\$54 million. The decline in segment result came mainly in the second half of the year. During the first half, oil prices were relatively low and stable, leading to robust demand. As a result, Titan enjoyed high volumes and good margins for both cargoes and bunker supply. In the second half, a surge in oil prices resulted in import margins in the China market turning negative, in turn leading to slower demand for oil. This was also exacerbated by an increase of market volatility and competition at the same time. With both volumes and margins going much lower, profit declined significantly.

Total sales at the supply business in 2007 were 4.1 million tons compared to 2.7 million tons in 2006, while volumes for the bunkering businesses in Singapore, Malaysia and Hong Kong were 2.83 million tons.

Transportation

Revenues from transportation in 2007 were HK\$1,237 million, a decrease of 40.6% compared to 2006. Segment result for the year, including gain on vessel disposals, decreased by 12.4% to HK\$390 million.

The decline in revenues was partly the result of our asset management program, under which we sold two VLCCs, and five medium to smaller sized tankers, resulting in a total net book gain of US\$33.6 million. We also deployed four VLCCs to Floating Storage Units (FSUs) to take advantage of strong demand in the storage market. As a result, our fleet capacity decreased from 3.51 million at the end of 2006 to 2.13 million dwt at the end of 2007.

The decrease in segment result was due both to the reduced fleet capacity and the extremely poor VLCC market. The Group experienced lower average VLCC earnings as a result of weak freight rates in the first 11 months of the year. On the Middle East — Far East route, World Scale rates for the year to November 2007 were WS67.5 and although the whole year average reached WS78.6, this was still significantly lower than the 2006 average rate of WS95.75. At the same time, operating costs were impacted by higher bunker costs, with the average fuel price per ton rising 20% over 2006. Although the VLCC market began to pick up in mid-December, the positive impact will only be visible in 2008.

Notwithstanding the difficult market conditions, Titan continued to benefit from the efficiency of its fleet operations. We are proud of our efficient fleet management team and our vessel daily running rate is among the lowest in industry. Average utilization for Titan's VLCCs improved by 12.4% to 92.18% in 2007.

While conditions for VLCCs were challenging, our product tankers performed well during 2007 and maintained an average utilization of 97%, with higher revenues and improved profitability. Our average Time Charter Equivalent achieved was US\$8,500, an improvement of 11.5% over 2006.

Corporate Developments

At the beginning of 2008, we announced a realignment of our senior management team, to strengthen the Group's operational management, in support of our expanding and increasingly diversified operations in the Asia Pacific region.

In addition to continuing as Chairman of the Board, I have taken over the role of Chief Executive. Former Chief Executive Mr Barry Cheung has been appointed Deputy Chairman of the Board, and is heading up a major new initiative for the Group. Industry veteran and former Titan Chief Operating Officer, Mr Patrick Wong has been appointed President, Corporate Office, to provide strategic and operational leadership for the Group, supporting me in managing the Group's day-to-day operations. Mr Philip Chu has been appointed Chief Financial Officer to strengthen the Group's financial management.

Outlook

With utilization at our onshore storage terminals in China increasing and with the shipyard developing more quickly than we had expected, I believe 2008 will be an exciting year for the group.

Our focus during the year will be to strengthen the balance sheet. We will achieve this by continuing to make timely disposals of our single-hulled vessels and by potential strategic partnerships with players who will expand business opportunities for the Group. In addition, we will strive to increase the utilization of our China terminals to more than 70% by the end of the year, and work hard to secure more third-party shipbuilding orders.

Shipyard

In 2008, the yard is scheduled to start building 20 more ships, launch 11 and deliver 10 more. The vessels already delivered have been chartered out on a bare-boat basis, with purchase obligations, to external clients. Together with the vessels now under construction for delivery this year, they will begin to make a substantial contribution to the Group's earnings.

Due to the buoyant shipbuilding market, the shipyard is accelerating its construction, while preparation works for the ship repairing and offshore engineering facilities are well under way. Initiatives to improve procurement and construction processes will increase efficiency further. We have put in place a strong quality assurance system, and expect the yard to obtain ISO9001 certification in 2008. In particular, we are negotiating with international shipowners and expect to secure major shipbuilding orders in the first half of this year.

Storage

In March 2008, the Shanghai Futures Exchange designated the Nansha terminal as a physical delivery storage facility for the settlement of its fuel oil futures contracts. This designation will bring about increased recognition of the facility among both Chinese and international customers, and direct utilization of our storage for fulfillment of futures contracts.

To improve utilization, the Group is refocusing its marketing targets and already, we have seen rising demand in both the term and spot lease markets in the first quarter of 2008. We are pursuing more term lease business and we aim to achieve an average utilization rate of more than 70% at the end of this year.

While the market for onshore storage in Singapore remains strong, this has increased demand for floating storage from oil traders, particularly new players looking to participate in the physical market. FSUs have a niche market advantage, because they permit lessees to blend fuel oil stocks, which require heating and ease of berthing access. In March 2008, Platts announced that it planned to designate Titan Chios, one of our FSUs with a capacity of 250,000 tons, as a physical delivery point for fuel oil. This would help us capture more of the business generated by the growing number of international traders starting physical trading, blending and delivery operations in Asia.

Supply Chain (Supply & Distribution)

We expect 2008 to remain a challenging year as oil prices look to be even higher than in 2007. Nonetheless, significant work has been done by the Group since the end of 2007 to develop business with major refineries in Southeast Asia and with oil producers outside of Asia.

This will generate stable recurring revenue and profit, allowing Titan to compete more effectively in the high oil price environment. These efforts are already beginning to bear fruit, and will become visible in more stable earnings by the second half of 2008.

In bunkering, our strategy is to build a network offering shipowners a one-stop bunkering solution through our operations in Singapore, Malaysia and Hong Kong, riding on the synergies with our supply and storage businesses. In addition to further increasing sales volumes in Malaysia and Hong Kong, we are actively working to extend our presence to the China market through strategic alliances.

Transportation

In transportation, prospects for 2008 have improved from the previous two years, supported by factors that include increased VLCC conversion and scrapping, balanced by new tonnage and increased price differentials between newer and older tonnage. World Scale rates year-to-date for the Middle East — Far East route have averaged WS121, well above the WS78.6 average for 2007.

Although the market may not sustain such high rates for the whole year, we are cautiously optimistic and believe that we are well positioned to capture the upside and achieve a higher return on assets given our tightly run operations.

We will also continue our diversification strategy, and plan to replace our single-hulled vessels with double-hulled clean product petroleum and chemical tankers in the longer term.

Summary

In the six years since its listing on the Hong Kong Stock Exchange in May 2002, Titan has grown rapidly, with strong, long-term support from the stakeholders including our shareholders. The industry in which the Group operates is a very particular one that requires long-term planning and positioning, and we have not been able to quickly produce stable earnings. Improving the stability of earnings has nonetheless been an area we have focused on. In recent years, the Group has made a number of major investments in infrastructure projects in China. We have invested considerable resources in establishing sound management systems and developing the talents who will operate our businesses. Titan has a clear vision of its future, and we strongly believe in our strategy. The Group's next phase of development will in the near future achieve a breakthrough, and looking forward, we expect our storage terminals, distribution business and shipbuilding, ship repair and offshore engineering businesses in China to generate increased stability and growth in earnings for Titan.

Tsoi Tin Chun

Chairman & Chief Executive

Hong Kong, 23 April 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Revenue	2	17,004,318	11,459,980
Cost of sales		<u>(16,547,713)</u>	<u>(10,796,880)</u>
Gross profit		456,605	663,100
Other revenue		103,872	53,885
Gain on disposal of vessels, net		262,423	—
Fee and arrangement charges for the consents from the Notes holders in relation to the issuance of convertible preferred shares		(23,832)	—
General and administrative expenses		(350,152)	(221,567)
Finance costs	4	(482,413)	(385,544)
Share of profits of associates		<u>9,019</u>	<u>615</u>
PROFIT/(LOSS) BEFORE TAX	5	(24,478)	110,489
Tax	6	<u>(6,494)</u>	<u>(13,977)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>(30,972)</u>	<u>96,512</u>
Attributable to:			
Equity holders of the parent		(29,104)	100,333
Minority interests		<u>(1,868)</u>	<u>(3,821)</u>
		<u>(30,972)</u>	<u>96,512</u>
EARNINGS /(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic		<u>(HK0.60 cents)</u>	<u>HK2.07 cents</u>
Diluted		<u>N/A</u>	<u>HK2.02 cents</u>

CONSOLIDATED BALANCE SHEET

31 December 2007

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		4,758,740	4,997,710
Deposits for acquisition of vessels		—	44,207
Prepaid land/seabed lease payments		881,296	348,694
Licences	8	39,933	42,528
Goodwill	9	1,018,116	483,205
Interests in associates		263,746	169,661
Deposits for construction in progress		268,215	—
Deposit held in a collateral account		14,166	9,750
		<hr/>	<hr/>
Total non-current assets		7,244,212	6,095,755
CURRENT ASSETS			
Bunker oil		93,724	92,872
Inventories		1,124,511	783,434
Accounts receivable	10	1,158,427	1,250,652
Prepayments, deposits and other receivables		579,583	182,396
Contracts in progress		205,587	20,296
Derivative financial instruments		258,095	148,439
Pledged deposits		597,184	72,644
Cash and cash equivalents		1,513,620	300,548
		<hr/>	<hr/>
Total current assets		5,530,731	2,851,281
CURRENT LIABILITIES			
Interest-bearing bank and other loans		1,798,617	642,899
Accounts and bills payable	11	913,153	912,634
Other payables and accruals		868,726	629,469
Finance lease payables		424	26,352
Excess of progress billings over contract costs		21,833	11,490
Derivative financial instruments		408,527	48,669
Tax payable		26,274	26,093
		<hr/>	<hr/>
Total current liabilities		4,037,554	2,297,606
		<hr/>	<hr/>
NET CURRENT ASSETS		1,493,177	553,675
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		8,737,389	6,649,430
NON-CURRENT LIABILITIES			
Fixed rate guaranteed senior notes		(3,135,041)	(3,124,306)
Convertible preferred shares — liability portion	12	(501,622)	—
Interest-bearing bank and other loans		(1,261,209)	(1,202,464)
Finance lease payables		(722)	(112,005)
Deferred tax liabilities		(153,586)	(58,750)
		<hr/>	<hr/>
Total non-current liabilities		(5,052,180)	(4,497,525)
		<hr/>	<hr/>
Net assets		3,685,209	2,151,905
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		64,737	48,649
Equity portion of convertible preferred shares	12	75,559	—
Reserves		2,911,589	2,000,259
		<hr/>	<hr/>
		3,051,885	2,048,908
Contingently redeemable equity in a jointly-controlled entity	12	517,837	—
Minority interests		115,487	102,997
		<hr/>	<hr/>
Total equity		<u>3,685,209</u>	<u>2,151,905</u>

Notes to financial statements:

1. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Hong Kong (IFRIC) Interpretations (“HK(IFRIC)-Int”), herein collectively referred to as the new HKFRSs for the first time for the current year financial statements:

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above new and revised standards and interpretations has had no material impact on these financial statements. The principal changes in accounting policies are as follows:

(a) *HKFRS 7 Financial Instruments: Disclosure*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group’s financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) *Amendment to HKAS 1 Presentation of Financial Statements — Capital disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group’s objectives, policies and processes for managing capital.

(c) *HK(IFRIC)-Int 8 Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group’s equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group’s employees in accordance with the Company’s share option scheme, the interpretation has had no effect on these financial statements.

(d) *HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has not changed the terms of such contracts, the interpretation has had no effect on these financial statements.

(e) *HK(IFRIC)-Int 10 Interim Financial Reporting and Impairment*

The Group adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of oil products sold, after allowances for returns and trade discounts, income from the provision of bunker refueling services, gross freight income from the provision of oil transportation services, gross income from oil storage services and gross income from shipbuilding. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (i) supply of oil products and provision of bunker refueling services;
- (ii) provision of logistic services (including oil transportation and oil storage); and
- (iii) shipbuilding.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) *Business segments*

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

	Supply of oil products and provision of bunker refueling services		Provision of logistic services										Consolidated	
			Oil transportation		Off shore		Oil storage		On shore		Shipbuilding			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue														
Revenue from external customers	15,442,120	9,282,116	1,236,516	2,081,842	196,659	95,938	15,006	84	114,017	—	—	—	17,004,318	11,459,980
Intersegment revenue	394,323	574,988	—	147,158	395,018	66,200	32,719	6,382	—	—	(822,060)	(794,728)	—	—
	<u>15,836,443</u>	<u>9,857,104</u>	<u>1,236,516</u>	<u>2,229,000</u>	<u>591,677</u>	<u>162,138</u>	<u>47,725</u>	<u>6,466</u>	<u>114,017</u>	<u>—</u>	<u>(822,060)</u>	<u>(794,728)</u>	<u>17,004,318</u>	<u>11,459,980</u>
Segment results	<u>54,203</u>	<u>75,076</u>	<u>390,252</u>	<u>445,329</u>	<u>108,897</u>	<u>26,694</u>	<u>(3,193)</u>	<u>(1,195)</u>	<u>15,710</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>565,869</u>	<u>545,904</u>
Interest income and unallocated gains													139,860	51,334
Unallocated expenses													(256,813)	(101,820)
Finance costs													(482,413)	(385,544)
Share of profits of associates	6,782	—	—	—	—	—	2,237	615	—	—	—	—	9,019	615
Profit/(loss) before tax													(24,478)	110,489
Tax													(6,494)	(13,977)
Profit/(loss) for the year													<u>(30,972)</u>	<u>96,512</u>

Note: During the year, the Group performed a review of its businesses and rationalised the classifications for oil storage, supply of oil products and bunker refueling services. Accordingly, certain comparative amounts have been reclassified to conform to the current year presentation.

	Supply of oil products and provision of bunker refueling services		Provision of logistic services									
			Oil transportation		Oil storage		On shore		Shipbuilding		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities:												
Segment assets	2,995,576	2,485,830	1,915,467	4,362,583	1,461,157	299,695	1,938,275	1,288,061	2,160,619	—	10,471,094	8,436,169
Interests in associates	45,459	—	—	—	—	—	218,287	169,661	—	—	263,746	169,661
Unallocated assets											2,040,103	341,206
Total assets											<u>12,774,943</u>	<u>8,947,036</u>
Segment liabilities	1,370,539	1,522,958	26,270	218,963	17,790	13,627	85,951	140,891	464,946	—	1,965,496	1,896,439
Unallocated liabilities											7,124,238	4,898,692
Total liabilities											<u>9,089,734</u>	<u>6,795,131</u>
Other segment information:												
Depreciation and amortisation	29,680	10,688	157,507	343,254	99,489	9,647	14,839	806	2,765	—	304,280	364,395
Unallocated depreciation and amortisation											9,952	8,002
											<u>314,232</u>	<u>372,397</u>
Capital expenditure	1,719	—	16,300	138,180	106,151	365	245,420	596,772	1,005,838	—	1,375,428	735,317
Unallocated capital expenditure											22,842	52,604
											<u>1,398,270</u>	<u>787,921</u>
Write-off of/allowance for bad and doubtful debts	3,360	6,710	9,312	9,702	493	—	—	—	—	—	13,165	16,412
Unallocated write-off of/allowance for bad and doubtful debts											542	852
											<u>13,707</u>	<u>17,264</u>

(b) *Geographical segments*

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

	China		Other Asia Pacific Countries		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue						
Revenue from external customers	<u>895,371</u>	<u>885,073</u>	<u>16,108,947</u>	<u>10,574,907</u>	<u>17,004,318</u>	<u>11,459,980</u>
Other segment information						
Segment assets	<u>5,640,963</u>	<u>1,776,099</u>	<u>5,655,722</u>	<u>3,381,555</u>	<u>11,296,685</u>	<u>5,157,654</u>
Unallocated assets					<u>1,478,258</u>	<u>3,789,382</u>
					<u>12,774,943</u>	<u>8,947,036</u>
Capital expenditure	<u>1,254,553</u>	<u>648,353</u>	<u>127,417</u>	<u>1,387</u>	<u>1,381,970</u>	<u>649,740</u>
Unallocated capital expenditure					<u>16,300</u>	<u>138,181</u>
					<u>1,398,270</u>	<u>787,921</u>
Write-off of/allowance for bad and doubtful debts	<u>—</u>	<u>—</u>	<u>13,707</u>	<u>17,264</u>	<u>13,707</u>	<u>17,264</u>

4. FINANCE COSTS

	Group	
	2007	2006
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	<u>84,166</u>	<u>80,807</u>
Interest on bank loans not wholly repayable within five years	<u>59,301</u>	<u>8,119</u>
Interest on an other loan	<u>—</u>	<u>16,234</u>
Interest on trust receipt loans, secured	<u>42,768</u>	<u>7,225</u>
Interest on finance lease payables	<u>8,223</u>	<u>16,387</u>
Interest on fixed rate guaranteed senior notes	<u>275,934</u>	<u>275,857</u>
Dividends on convertible preferred shares		
— Titan Preferred Shares	<u>14,736</u>	<u>—</u>
— Titan Group Investment Limited ("TGIL") Preferred Shares	<u>18,356</u>	<u>—</u>
Other borrowing costs	<u>4,914</u>	<u>760</u>
Total interest expenses	<u>508,398</u>	<u>405,389</u>
Less: Interest capitalised	<u>(25,985)</u>	<u>(19,845)</u>
	<u>482,413</u>	<u>385,544</u>

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Group	
	2007	2006
	HK\$'000	HK\$'000
Cost of inventories sold	15,360,017	9,160,132
Cost of services rendered	1,187,696	1,636,748
Depreciation	309,527	369,789
Amortisation of prepaid land/seabed lease payments	2,110	—
Amortisation of licences	2,595	2,608
Bank interest income	(48,777)	(22,114)
	<u><u>15,853,578</u></u>	<u><u>11,186,277</u></u>

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006 : 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. The majority of the Group's subsidiaries are domiciled in Singapore where the prevailing tax rate is 20% (2006 : 20%).

With the Global Trader Programme ("GTP") incentive awarded by the Inland Revenue Authority of Singapore, certain qualified income generated during the year from the oil supply business of the Group has been charged at a tax concessionary rate of 10%. Any other income not qualified for the GTP incentive has been charged at the rate of 20% during the year.

Under Section 13A of the Singapore Income Tax Act, charter and freight income derived from certain Singapore incorporated subsidiaries whose vessels are all sea-going Singapore flagged ships are exempted from corporate income tax in Singapore. No provision for taxation has been made on the estimated assessable profits generated from charter and freight income during the year.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New PRC Tax Law") which took effect on 1 January 2008. The PRC income tax rate is unified to 25% for all enterprises.

The State Council of the PRC passed an implementation guidance note ("Implementation Guidance") on 26 December 2007, which sets out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, certain PRC enterprises of the Group which have not fully utilised its five-year tax holiday will be allowed to continue to enjoy a full exemption from a reduction in income tax rate until expiry of the tax holiday, after which, the 25% standard rate will apply.

	Group	
	2007	2006
	HK\$'000	HK\$'000
Current — Hong Kong:		
Overprovision in prior years	—	(11)
Current — Elsewhere:		
Charge for the year	11,832	15,517
Under/(over)provision in prior years	(978)	1,585
Deferred taxation	(4,360)	(3,173)
Share of tax attributable to an associate	—	59
	<u>6,494</u>	<u>13,977</u>
Total tax charge for the year	<u><u>6,494</u></u>	<u><u>13,977</u></u>

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share is based on the consolidated loss for the year attributable to ordinary equity holders of the parent of approximately HK\$29,104,000 (2006 : profit of HK\$100,333,000), and the weighted average of 4,887,579,599 (2006: 4,853,689,462) ordinary shares in issue during the year.

Diluted loss per share amount for the year ended 31 December 2007 has not been disclosed, as the share options and the convertible preferred shares outstanding during the year had an anti-dilutive effect on the basic loss per share for the current year.

In the prior year, the calculation of diluted earnings per share is based on the consolidated profit for the year attributable to ordinary equity holders of the parent of approximately HK\$100,333,000. The number of ordinary shares used in the calculation is the weighted average of 4,853,689,462 ordinary shares in issue during the year, as used in the basic earnings per share calculation, plus the weighted average of 102,817,352 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

8. LICENCES

Licences represent the rights acquired to undertake floating storage operations within the port limits off the east and west coasts of the Malaysia peninsula, pursuant to licences issued by the Ministry of Transport of Malaysia. Licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 20 years.

9. GOODWILL

Goodwill acquired through business combinations for the prior year is mainly attributable to the acquisition of Sky Sharp Investments Limited, Fujian Titan Petrochemical Storage Development Co., Ltd. and 石獅市益泰潤滑油脂貿易有限責任公司 of approximately HK\$198 million, HK\$2 million and HK\$45 million, respectively, from independence third parties.

In the current year, the goodwill arose from business combinations mainly attributable to the acquisition of Titan TQSL Holding Company Ltd and its wholly-owned subsidiary, Titan Quanzhou Shipyard Co. Ltd., of approximately HK\$518 million from Titan Oil Pte Ltd., the ultimate holding company, and two associated companies of a director.

As at 31 December 2007, no impairment provisions have been made against the goodwill arising from the acquisition of the oil supply, on shore oil storage and shipbuilding businesses and the oil transportation services provided by the NAS Group.

10. ACCOUNTS RECEIVABLE

The Group normally allows credit terms to well-established customers ranging from 30 to 90 days. Efforts are made to maintain strict control over outstanding receivables and overdue balances are reviewed regularly by senior management. On this basis and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts receivable are non-interest-bearing.

An aged analysis of accounts receivable as at the balance sheet date, based on the date of recognition of the sale and net of provisions, is as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
1 to 3 months	1,097,385	1,190,255
4 to 6 months	17,223	30,381
7 to 12 months	36,930	22,641
Over 12 months	6,889	7,375
	<u>1,158,427</u>	<u>1,250,652</u>

11. ACCOUNTS AND BILLS PAYABLE

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

An aged analysis of the accounts and bills payable as at the balance sheet date, based on the date of receipt of goods purchased, is as follows:

	Group	
	2007	2006
	HK\$'000	HK\$'000
1 to 3 months	870,357	899,396
4 to 6 months	15,561	8,254
7 to 12 months	19,428	3,464
Over 12 months	7,807	1,520
	913,153	912,634

Accounts and bills payable are non-interest-bearing and are normally settled on terms of 30 to 90 days.

12. CONVERTIBLE PREFERRED SHARES

On 28 March 2007, the Company and Warburg Pincus Private Equity IX, L.P. and Warburg Pincus (Bermuda) Private Equity IX, L.P. ("Warburg Pincus") entered into a subscription agreement which resulted in the introduction of Warburg Pincus as an investor in the Group. The Warburg Pincus investment of US\$175 million will help fund the Group's on-shore storage terminals in China and provide financial flexibility to support the growth of Titan's overall business portfolio. This partnership will facilitate the Group's strategy of transforming its business towards an integrated oil logistics model, offering end-to-end transportation, storage, supply and distribution services on a single platform, thereby reducing its previous exposure to the volatile VLCC market.

- (1) through its subscription of Company's shares and warrants comprised of (i) 526,300,000 ordinary shares of the Company at HK\$0.521 per share; (ii) 555,000,000 the Company's convertible preferred shares (the "Titan Preferred Shares") at the initial conversion price of HK\$0.56 per share; and (iii) the Company's warrant of HK\$1 carrying rights to subscribe up to HK\$195 million for the Company's ordinary shares at the initial subscription price of HK\$0.644 per the Company's ordinary share, subject to adjustments, any time from the first anniversary of the date of the completion of issuance until the expiry of five years from the date they are issued; and
- (2) in Titan Group Investment Limited which together with its subsidiaries ("TGIL Group") own the Group's oil storage terminal operations in China through its (i) subscription of US\$100 million TGIL preferred shares ("TGIL Preferred Shares") which are convertible into TGIL's ordinary shares and (ii) TGIL warrants of HK\$1 carrying rights to subscribe for such number of TGIL's ordinary shares so that its total holding of TGIL's ordinary shares and TGIL Preferred Shares will immediately after such subscription equal to 50.1% of the aggregate number of TGIL's ordinary shares and TGIL Preferred Shares then in issue. TGIL's warrant may only be exercised within 90 business days of each occurrence of a redemption event and only if the redemption right attached to TGIL Preferred Shares is not exercised.

Following the above subscriptions on 22 June 2007, TGIL Group was ceased to be subsidiaries and became jointly-controlled entities as Warburg Pincus enjoyed substantive participative rights over the actions and business plans of TGIL including, amongst other things, substantive participative rights in relation to share capital, constitution, acquisitions and disposals, formation of joint ventures, borrowings, creation of encumbrances, dividend payments and the appointment of senior management of certain members of TGIL Group.

The Company issued 555,000,000 Titan Preferred Shares at the stated value of HK\$0.56 per share. The terms of Titan Preferred Shares are as follows:

- (i) Titan Preferred Shares rank in priority to any distribution in respect of any other class of shares to a fixed cumulative preferential dividend at a rate of 4.70% per annum on the initial subscription price of each Titan Preferred Share. Titan Preferred Shares do not confer any further rights to its holder to participate in the profits of the Group. On a distribution of assets or return of capital on liquidation of the Company or otherwise, a holder of the Titan Preferred Shares is entitled to receive an amount in preference to holders of the Company's ordinary shares equal to the greater of (a) the

sum of the amount equal to the issue price of the Titan Preferred Shares and any accrued and unpaid dividends; or (b) the aggregate market price of the number of the Company's ordinary shares into which the Titan Preferred Shares can be converted, if they were converted on the date of the distribution of the assets of the Company, together with any accrued and unpaid dividends. Also, Titan Preferred Shares do not carry any voting rights in general meetings of the Company.

- (ii) The holders of Titan Preferred Shares are entitled to convert their Titan Preferred Shares into ordinary shares of the Company at the initial conversion price of HK\$0.560 per share, subject to adjustments, any time from the first anniversary of the date of completion of the issue (or such earlier date as may be approved by the board of directors of the Company) to the day prior to the date of redemption of Titan Preferred Shares.
- (iii) Titan Preferred Shares are redeemable (1) at any time on or after the fifth anniversary of the date of issue at a price equal to 100% of their initial subscription price (if redeemed at the election of the holders) or 175% of their initial subscription price (if redeemed at the election of the Company) in each case together with any accrued and unpaid dividends; or (2) on the occurrence of a redemption event and at the election of the holders of the Titan Preferred Shares at a price equal to the higher of 175% of their initial subscription price or the aggregate market price of the number of the Company's shares into which those Titan Preferred Shares being redeemed can be converted, if they were converted on the date of the notice of redemption, together with any accrued and unpaid dividends provided that this redemption right cannot be exercised so long as any of the Notes remains outstanding except in the case of change of control redemption event, but only if a change of control triggering event (as defined in the Notes) has occurred and the Company has complied with its obligations under the Notes in respect of such an event.

The redemption events (the "Redemption Events") included

- (i) Titan Oil ceasing directly or indirectly through its subsidiaries or nominees to own 35% or more of the Company's ordinary shares; *
- (ii) Titan Oil ceasing directly or indirectly through its subsidiaries or nominees to be the single largest shareholder of the Company (other than in circumstances where Warburg Pincus or its associates (as that term is defined in the Listing Rules) is or are together such single largest shareholder);*
- (iii) the chairman of the Company, Mr. Tsoi Tin Chun, ceasing to be a controlling shareholder of Titan Oil (other than as a result of a temporary reduction of shareholding to facilitate a vendor top up placing by the Company);*
- (iv) the Company ceasing directly or indirectly through its subsidiaries or nominees to be the single largest shareholder of TGIL (other than as a result of the exercise of the TGIL's warrant);
- (v) the occurrence of specified events which are related to the insolvency of the Company or the initiation of insolvency or liquidation proceedings by or against the Company or events of default under the Notes occurring); and an equity instrument (the conversion right, i.e. the holder's right to call for shares of the issuer).

* Since those redemption events were related to the change of significant shareholding of the substantial shareholder in the Company, the substantial shareholder (Titan Oil and Mr Tsoi) of the Company has signed a deed of undertaking pursuant to which the substantial shareholder (Titan Oil and Mr Tsoi) has undertaken to indemnify the Company in respect of any loss to the Company (as defined in the deed of undertaking) arising from the exercise of the redemption right of the holders of the Titan Preferred Shares on the occurrence of the Redemption Events.

- (vi) The holder of Titan Preferred Shares has certain protective veto rights over certain decisions of the Group.

TGIL issued US\$100 million TGIL Preferred Shares. The terms of TGIL Preferred Shares are as follows:

- (i) TGIL Preferred Shares (apart from the special dividends that may become payable) rank in priority to any distribution in respect of any other class of shares for a fixed cumulative preferential dividend at a rate of 5.0% per annum on the initial subscription price of each TGIL Preferred Share. They also (until TGIL obtains a separate listing) participate in the ordinary dividends of TGIL on an as-converted basis.

On a distribution of assets or return of capital on liquidation of TGIL or otherwise, a holder of TGIL Preferred Shares is entitled to receive an amount equal to the greater of (1) the sum of the amount equal to the issue price of TGIL Preferred Shares and any accrued and unpaid dividends; or (2) the then aggregate market value (to be determined by an

independent investment bank) of the number of the ordinary shares of TGIL into which TGIL Preferred Shares can be converted, as if they were converted on the date of the distribution of the assets of TGIL (subject to a cap of HK\$2,730 million) together with any accrued and unpaid dividends.

TGIL Preferred Shares carry voting rights in general meetings of TGIL on an as converted basis.

- (ii) The holders of TGIL Preferred Shares are entitled to convert TGIL Preferred Shares into TGIL's ordinary shares initially on a one-for-one basis at the initial conversion price (which will be the number that equals the aggregate subscription price of TGIL Preferred Shares divided by the number of TGIL Preferred Shares in issue immediately upon completion of issue), subject to adjustments, any time from the first anniversary of the date of completion of issue (unless the board of directors of the Company resolves to permit earlier conversion) until they are redeemed.
 - (iii) TGIL Preferred Shares are redeemable on the occurrence of a Redemption Event and at the election of the holders of TGIL Preferred Shares (provided that TGIL's warrant is not exercised) at a price equal to the higher of 175% of their initial subscription price or the market value (to be determined by an independent investment bank) of TGIL's ordinary shares into which those TGIL Preferred Shares being redeemed can be converted (subject to a cap of HK\$2,730 million upon the full redemption of TGIL Preferred Shares), as if they were converted on the date of the notice of redemption, together with any accrued and unpaid dividends.
- * Since those redemption events set out above were related to the change of significant shareholding of the substantial shareholder in the Company, the substantial shareholder (Titan Oil and Mr Tsoi) of the Company has signed a deed of undertaking pursuant to which the substantial shareholder (Titan Oil and Mr Tsoi) has undertaken to indemnify TGIL in respect of any loss of TGIL (as defined in the deed of undertaking) arising from the exercise of the redemption right of the holders of the TGIL Preferred Shares on the occurrence of the Redemption Events.

The fair value of the liability portion of Titan Preferred Shares and TGIL Preferred Shares were estimated at the issuance date. The residual amount of Titan Preferred Shares of HK\$75,559,000 and TGIL Preferred Shares of HK\$517,837,000, are assigned as the equity portion and are included in shareholders' equity of the company and contingently redeemable equity in a jointly-controlled entity, respectively.

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 2007, the Group had cash and cash equivalents of HK\$1,514 million (31 December 2006 : HK\$300 million) and pledged deposits of HK\$597 million (31 December 2006 : HK\$73 million), comprising an equivalent of HK\$1,213 million denominated in US dollars, an equivalent of HK\$11 million denominated in Singapore dollars, an equivalent of HK\$874 million in Renminbi, and HK\$13 million. At 31 December 2007, the Group had interest-bearing bank and other loans of HK\$3,060 million (31 December 2006 : HK\$1,845 million), of which 55.49% were floating rate interest bearing and denominated in US dollars. HK\$1,799 million of the Group's bank loans at 31 December 2007 had maturities within one year.

At 31 December 2007, the Group's banking facilities were largely secured or guaranteed by cash deposits amounting to HK\$597 million, deposits of HK\$14 million held in a collateral account, vessels with carrying values of HK\$1,626 million, prepaid land/seabed lease payments of HK\$372 million, oil storage facilities with carrying values of HK\$490 million, inventories with carrying values of HK\$872 million, a personal guarantee executed by a director of the Company, corporate guarantees executed by the Company and a corporate guarantee executed by a subsidiary of Titan Oil Pte. Ltd ("Titan Oil").

At 31 December 2007, the fixed rate guaranteed senior notes (the “Notes”) of HK\$3,135 million were secured by shares of certain subsidiaries. During the year, the Group issued convertible preferred shares to Warburg Pincus LLC and at 31 December 2007 this is presented as a non-current liability to the extent of the liability portion of HK\$502 million.

At 31 December 2007, the Group had current assets of HK\$5,531 million (31 December 2006 : HK\$2,851 million). The Group’s current ratio increased from 1.24 at 31 December 2006 to 1.37 as at 31 December 2007. At 31 December 2007, the Group had total assets of HK\$12,775 million (31 December 2006 : HK\$8,947 million), total bank and other loans of HK\$3,060 million (31 December 2006 : HK\$1,845 million), finance lease payables of HK\$1 million (31 December 2006 : HK\$138 million) and the Notes of HK\$3,135 million (31 December 2006 : HK\$3,124 million). The gearing of the Group, calculated as total bank and other loans, finance lease payables and the Notes to total assets, was 0.49 at 31 December 2007 (31 December 2006: 0.57).

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. The Group has transactional currency exposures and uses forward currency contracts to eliminate the foreign currency exposures on its operating activities. During the year, the Group has oil price swap contracts, foreign currency forward contract and an interest rate swap agreement to hedge exposures on fluctuations in commodity prices, foreign exchange rates and interest rates. The Group did not use any financial derivative instruments for speculative purposes.

CONTINGENT LIABILITIES

At 31 December 2007, the banking facilities granted to certain subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of HK\$2,674 million (31 December 2006 : HK\$2,615 million).

A guarantee given by the Company in connection with a finance lease arrangement granted to a subsidiary was released during the year (31 December 2006 : HK\$138 million).

At 31 December 2007, a guarantee of HK\$172 million given by the Company to suppliers in connection with the oil trading business was utilised by a subsidiary of the Company (31 December 2006 : HK\$38 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2007, the Group had approximately 761 employees in Singapore, Hong Kong and China, and approximately 516 officers and crew on board of the Group’s fleet and floating storage units. Remuneration packages, including basic salaries, bonuses and benefits-in-kind, are structured by reference to market terms and individual merit and are reviewed on an annual basis based on performance appraisals. Share options were also granted to certain employees of the Group during the year.

DIVIDENDS

The Board of Directors does not recommend the declaration of a final dividend (2006: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to good corporate governance to effectively oversee/guide operations and to enhance long term shareholder value, with an emphasis on having a quality board, transparency, independence and accountability. Throughout the year, the Company has applied the principles and complied with all code provisions set out in the Code on Corporate Governance Practices contained in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Full details on the subject of corporate governance are set out in the annual report.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements for the year and is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and other reporting requirements, and that adequate disclosures have been made.

As at the date of this announcement, the Executive Directors are Mr. Tsoi Tin Chun and Mr. Barry Cheung Chun Yuen, JP, the Non-executive Director is Mr. Ib Fruergaard and the Independent Non-executive Directors are Mr. John William Crawford, JP, Mr. Abraham Shek Lai Him, JP and Miss Maria Tam Wai Chu, JP.

Titan Petrochemicals Group Limited

4901 Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong

Tel: 2116 1388

Fax: 3107 1899

Website: www.petrotitan.com