



THE STOCK EXCHANGE OF HONG KONG LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)
("Exchange")

26 May 2014

The Listing Committee of The Stock Exchange of Hong Kong Limited ("Listing Committee") censures:

- (1) Titan Petrochemicals Group Limited ("Company") (Stock Code: 1192) for breaching:**
 - (a) the then Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), which required an issuer to disclose, as soon as reasonably practicable, any information which (a) is necessary to enable shareholders and the public to appraise the position of the group; (b) is necessary to avoid the establishment of a false market in the issuer's securities; or (c) might be reasonably expected materially to affect market activity in and the price of its securities; and**
 - (b) Rule 14.36 of the Listing Rules which requires an issuer to disclose, as soon as practicable, any termination, material variation of terms, material delay in the completion of a transaction previously announced under Chapter 14 of the Listing Rules.**

The Listing Committee further censures the following two respective former and current executive directors of the Company ("Relevant Directors"):

- (2) Mr Tsoi Tin Chun ("Mr Tsoi"), former executive director, re-designated as non-executive director on 3 July 2012 and resigned on 5 February 2013; and**
- (3) Mr Wong Siu Hung Patrick ("Mr Wong"), current executive director**

for their respective breaches of their obligations under the Declaration and Undertaking with regard to Directors given to the Exchange in the form set out in Appendix 5-B to the Listing Rules in failing to use best endeavours to procure the Company's Listing Rule compliance ("Undertaking").

The conduct and respective breaches by the Company and the Relevant Directors took place between August 2011 and March 2012. Since then, save for Mr Wong who has remained as an executive director, the management of the Company has been replaced by a new management team and a number of new directors. For the avoidance of any doubt, the public censures apply only to the Company and the Relevant Directors identified above and do not apply to any other past or present members of the board of directors of the Company, in particular, the current management team and the current directors who were appointed after March 2012.

Facts

The Company was listed on the Exchange on 17 June 1998. Trading in the Company's shares was suspended with effect from 19 June 2012, and remains suspended as of the date of this News Release.

The Company recorded significant losses in each of the years ended 31 December 2008, 2009 and 2010. In each of these annual results, auditors of the Company identified matters including the significant loss reported which indicated the existence of material uncertainties casting doubt about the Group's ability to continue as a going concern.

The Company's annual reports over the years disclosed the Company's issuance on 17 March 2005 of fixed rate guaranteed senior notes due 2012 for US\$400 million ("**Senior Notes**"). In particular, both 2010 annual report and 2011 interim report disclosed that the Senior Notes would mature in March 2012 with principal US\$106 million payable with interest.

On 13 December 2010, the Company published an announcement ("**Announcement**") disclosing that the Company had on 11 December 2010 entered into:

- (a) The Sale and Purchase Agreement ("**S&P Agreement**") to dispose of 95 per cent equity interest in Titan Quanzhou Shipyard Co., Ltd. (a wholly owned subsidiary of the Company) ("**TQS Interest**") to Grand China Logistics Holding (Group) Company Limited ("**GCL**") for RMB1,465.67 million cash payable by stages with additional RMB400 million payable if certain conditions were subsequently met in the two years ending 31 December 2011 and 2012 as detailed in the Announcement ("**Shipyard Disposal**").
- (b) The Subscription Agreement in relation to the proposed issuance of 500 million shares of the Company to GCL at \$0.61 each to raise \$305 million gross proceeds or \$304.5 million net proceeds ("**Share Placement**") which would be terminated if conditions precedent including the completion of the Shipyard Disposal and the registration with the State Administration for Industry and Commerce of the PRC of the transfer of the TQS Interest were not fulfilled within one year from the date of the Subscription Agreement (i.e. by 10 December 2011).

The Announcement also disclosed that up to RMB800 million out of the proceeds from the Shipyard Disposal would be used for debt reduction and the balance as well as the proceeds from the Subscription Agreement would be used to fund the Group's core business development.

GCL paid the 1st staged payment of RMB280 million. The 2nd staged payment of RMB520 million, due on 10 February 2011, was not paid on the due date. GCL made subsequent partial payments totalling RMB460 million between 4 March and 4 August 2011. In total GCL paid RMB740 million and did not make any further payment. Registration of the transfer of TQS Interest would only occur upon GCL's full payment of the 2nd staged payments. As GCL had not paid the 2nd staged payment in full, the Company did not register the transfer. As the 3rd and 4th staged payments were conditional upon the registration of the transfer, no further payment was made by GCL.

Since March 2011, the Company had been negotiating with GCL over late/outstanding payments. The last partial payment received by the Company from GCL was on 4 August 2011. On or shortly before 17 August 2011, the Company received an indication that GCL would pay further RMB60 million within 60 days (i.e. by 17 October 2011). However, GCL did not make any further payment despite the indication.

With the uncertainty over receipt of full payments from GCL, since August 2011, the Company (through the Relevant Directors) discussed with various potential investors for potential investment in the Company to raise funds for the Company to address the payment of the principal US\$106 million (and interest) due on maturity of the Senior Notes in March 2012.

Towards the end of November 2011, Mr Wong considered it appropriate to seek legal advice on the implications of further delays in payments under the S&P Agreement, as significant time had elapsed since the signing of S&P Agreement and the financial year-end of the Company was approaching. In early December 2011, the Company received the advice. A draft announcement was prepared and had since been revised and updated by the Company from time to time. At all material times, Mr Wong was aware of the advice received. He also participated in the revision and review of the draft announcement which ultimately resulted in the announcement of 18 March 2012 (“**March Announcement**”) subsequently published by the Company as referred to below. According to the Company, at the relevant time, Mr Tsoi was aware of the advice received by the Company, the draft announcement and its revision.

The Subscription Agreement lapsed on 10 December 2011 with the non-completion of the Shipyard Disposal within one year.

On 11 December 2011, an independent non-executive director (“**INED**”) and the Chairman of Audit Committee emailed Mr Wong (copied to the other two INEDs) enquiring, among other things, whether with the significant lapse in time in completing the Shipyard Disposal, a major transaction, the Company would be required to issue an announcement. There was nothing to suggest that the Company had reverted to the INED on his enquiry.

From the end of December 2011 to mid-January 2012, the Company proposed a conference call in January 2012 for a briefing by Mr Tsoi to all board members as to the latest status of the Company. The INEDs indicated their availability to discuss over telephone as two of them were not in Hong Kong during the period. According to the Company, Mr Tsoi further required the discussion to be face-to-face. In the end, no board discussion occurred whether in person or over telephone until 18 March 2012.

On Friday 16 March 2012, the Company announced trading suspension with effect from 9:30 am on Monday 19 March 2012 pending release of price sensitive information of the Company. On Saturday 17 March 2012, the Company gave notice to all directors of a board meeting scheduled for Sunday 18 March 2012 with relevant documents (including a draft March Announcement) to all directors. At the board meeting on 18 March 2012 participated by all directors, the board was briefed of the lapse of the Subscription Agreement and approved the March Announcement for publication later the day. The March Announcement, as published, disclosed among other things, (a) the delay in the Company’s receipt of payments for the Shipyard Disposal and in turn in its completion; (b) the lapse of the Subscription Agreement; and (c) the Company’s inability to meet its payment obligations on the Senior Notes.

Share trading resumed only on 14 May 2012 after publication on 11 May 2012 of the Company's 2011 annual results (for year ended 31 December 2011) reporting \$783 million net loss. The auditors gave a disclaimer opinion regarding the results for reasons and matters including the Company's inability to repay the Senior Notes due in March 2012.

Listing Rule requirements

Unless otherwise stated, reference to Rule 13.09(1) in this News Release refers to the Rule in force in 2011 and 2012.

Rule 13.09(1) required issuers to disclose, as soon as reasonably practicable, any information relating to the group which (a) is necessary to enable the Exchange, shareholders and the public to appraise the position of the group; (b) is necessary to avoid the establishment of a false market in the issuer's securities; or (c) might be reasonably expected materially to affect market activity in and the price of its securities.

Note 11(ii) to Rule 13.09(1) further elaborated that the disclosure obligation must be discharged without delay where to the knowledge of the directors, there is such a change in the issuer's financial condition or in the performance of its business or in the issuer's expectation of its performance that knowledge of the change is likely to lead to substantial movement in the price of its listed securities.

Rule 14.36 requires an issuer to disclose, as soon as practicable, any termination, material variation of terms, or material delay in the completion of a transaction previously announced under Chapter 14 of the Listing Rules.

Allegations of breach by the Listing Department

Company's breach of Rule 13.09

The Listing Department asserts that:

- (1) The Company breached Rule 13.09(1) for failing to publish an announcement as soon as reasonably practicable to inform its shareholders and the market of the delay in the Company's receipt of payments for the Shipyard Disposal and in turn in its completion, the lapse of the Subscription Agreement, and the resulting adverse impact or potential adverse impact on the Company including in particular its inability or potential inability to meet its payment obligations on the Senior Notes due on or about 19 March 2012 (collectively "**Events**").
- (2) Information as to the Events was not in the public domain, was not made known to the market and the Company's shareholders at all material times, fell within the ambit of Rules 13.09(1)(a) and (c), and therefore required disclosure as soon as reasonably practicable under Rule 13.09.

- (3) The Company's disclosure obligation under Rule 13.09(1) arose on 17 October 2011:
- (a) On the day, the Company did not receive from GCL RMB60 million which the Company understood GCL would pay by then. The Company had been aware of the highly unsatisfactory late and partial payments by GCL over the months from February to August 2011 in relation to the Shipyard Disposal. By then, it had been months in which GCL had defaulted/delayed in payments due under the Shipyard Disposal.
 - (b) Further by then, the Company (through the Relevant Directors) had been aware of the significant uncertainty of receiving (i) full payments from GCL under the Shipyard Disposal; and (ii) any payment under the Subscription Agreement (which was conditional upon the completion of the Shipyard Disposal). This was evidenced by the Relevant Directors' discussions with potential investors for alternative/further funding to the Company.
 - (c) The Company was obliged to publish an announcement on or shortly after 17 October 2011 to inform the market and its shareholders the fact of GCL's late payment, the Company's receipt of only part payments of the 2nd staged payment from GCL; the failure or possible failure to complete the Shipyard Disposal in the timeframe as contemplated under the S&P Agreement, the resulting adverse impact or potential adverse impact on the Company's financial position and on the Subscription Agreement.
- (4) In any event, the obligation to disclose the Events arose no later than 10 December 2011, the date the Subscription Agreement lapsed. No further payment had been received from GCL after 4 August 2011. With the lapse of the Subscription Agreement on 10 December 2011, the Company would not be receiving \$305 million gross proceeds otherwise expected to be raised from the proposed Share Placement to GCL.
- (5) With the delay in disclosing the Events only in the March Announcement of 18 March 2012, the Company breached Rule 13.09(1) for failing to disclose as soon as reasonably practicable.

Company's breach of Rule 14.36

The Listing Department asserts that:

- (1) There was material delay in the completion of the Shipyard Disposal. The Company was required to publish an announcement to disclose the material delay in the completion of the Shipyard Disposal as soon as practicable under Rule 14.36.
- (2) The disclosure obligation arose on 17 October 2011 and in any event no later than 10 December 2011 for the same reasons as set out above in respect of Rule 13.09 breach.
- (3) As disclosure was made with delay with publication of the March Announcement only on 18 March 2012, the Company also breached Rule 14.36 which required disclosure as soon as practicable.

Relevant Directors' breach of Undertaking

The Listing Department asserts that each of Mr Tsoi and Mr Wong, being the only two executive directors at the relevant time, breached his Undertaking to use his best endeavours to procure the Company's compliance with Rules 13.09 and 14.36 in that:

- (1) Having knowledge of the Events at all material times, Mr Tsoi and Mr Wong did not take prompt steps to ensure that the Company gave the requisite disclosure as soon as reasonably practicable in compliance with the Rules.
- (2) In particular, Mr Tsoi and Mr Wong were fully aware of GCL's late/non-payment at all material times. They were clearly aware of the liquidity problem (or possible liquidity problem) the Company would face with GCL's late/non-payment as they were actively involved in negotiations with potential investors with a view to seeking alternative funding for the Company to meet the payment due on the Senior Notes in March 2012.
- (3) Mr Tsoi and Mr Wong failed to bring the relevant matters to the attention of the board and ensure that the full board discussed and considered the relevant issues including the late payments from GCL, the lapse of the Subscription Agreement, their adverse impact or potential adverse impact on the Company's financial position, and their Rule implications. This occurred only late, in March 2012.

Settlement

As a consequence of settlement, the Company and Mr Wong do not contest their respective breaches asserted by the Listing Department whilst Mr Tsoi admits his breach of Undertaking as the Listing Department asserted. All of the Company, Mr Wong and Mr Tsoi accept the sanctions and directions imposed on them by the Listing Committee as set out below.

Findings of breach by the Listing Committee

On the basis of the facts and circumstances as set out above and with the Company and Mr Wong not contesting, while Mr Tsoi admitting the Listing Department's assertion of their respective breaches, the Listing Committee finds that:

- (1) the Company breached Rules 13.09(1) and 14.36 of the Listing Rules; and
- (2) each of the Relevant Directors breached his Undertaking.

Regulatory Concern

The Listing Committee regards the breaches in this matter serious:

- (1) The information of the Events was price sensitive information required by the investors and shareholders for their making of informed investment decisions. However for months, they were deprived of the material information.

- (2) The Company had been loss making since 2008. For years, the auditors had been expressing concern of uncertainty over the Company's ability to continue as a going concern. The market had been informed that the Company had a significant payment obligation falling due in March 2012; and that a bulk of the proceeds to be received under the S&P Agreement would be used for debt reduction. The Company's 2010 annual report and 2011 interim report disclosed that with the amounts to be received for the Shipyard Disposal and under the Subscription Agreement, the directors considered that the Group would have sufficient working capital to finance its operations and meet its financial obligations as and when they fell due and, accordingly, were satisfied that it was appropriate to prepare the financial statements on a going concern basis. However, the Shipyard Disposal had not proceeded in the manner and timeframe as required. The Subscription Agreement lapsed in December 2011. As a result, the Company had genuine liquidity problem to meet payments due under the Senior Notes. Yet, no disclosure has been made of any of these matters until 18 March 2012.
- (3) At the relevant time, the Company had a small board of directors. The Relevant Directors were the only two executive directors. They were aware of the Events. There were plenty of opportunities for them to procure the Company's disclosure. However for months, they did not do so.
- (4) The Listing Committee finds it unacceptable that the Relevant Directors did not respond to the INEDs' enquiry on disclosure issue made on 11 December 2011. They did not ensure the INEDs were regularly updated on the progress and status of the transactions as well as the subsequent lapse of the Subscription Agreement. They did not escalate the matters to the INEDs for the full board to discuss and consider the Rule implications of the Events until March 2012.
- (5) The Listing Committee also expresses grave concern over the Relevant Directors' submission that they were preoccupied with the negotiation with potential investors to seek funding for the Company, hence no announcement was made until March 2012. This suggests at the very least the Relevant Directors' poor judgment and understanding of Rule requirements and their obligations towards shareholders, investors and the wider market.

Sanctions

Accordingly, having made the findings of breaches against the Company and each of the Relevant Directors stated above, the Listing Committee censures:

- (1) the Company for its breach of Rules 13.09 and 14.36; and
- (2) each of Mr Tsoi and Mr Wong for their respective breaches of Undertakings.

Further, the Listing Committee directs as follows:

- (1) The Company is to appoint an independent professional adviser (as defined in Chapter 3A of the Exchange Listing Rules namely, an entity licensed or registered under the Securities and Futures Ordinance for Type 6 regulated activity and permitted under its licence or certificate of registration to undertake work as a sponsor) satisfactory to the Listing Department on an ongoing basis for consultation on compliance with the Listing Rules (“**Compliance Adviser**”) for a period of two years, with such appointment to start on or within one week before the date the trading of the Company’s shares resumes. The Company is to submit the proposed scope of retainer to the Listing Department for comment before appointment of the Compliance Adviser. The Compliance Adviser shall be accountable to the Audit Committee of the Company (“**CA Direction**”).
- (2) Any further matters pertaining to the Company’s compliance with the CA Direction and issues as may emerge in the management and operation of the CA Direction (other than any variation of the period for which the Company is required to have a Compliance Advisor and when the appointment is required to be made under the CA Direction) are to be directed to the Listing Department to consider and approve.
- (3) Mr Wong, a current director of the Company, is to attend (a) 24 hours of training on Listing Rule compliance, director’s duties and corporate governance matters; and (b) four hours on current Rule 13.09 compliance and inside information disclosure (under the Securities and Futures Ordinance) effective 1 January 2013 provided by the Hong Kong Institute of Chartered Secretaries, the Hong Kong Institute of Directors or other course providers approved by the Listing Department (altogether 28 hours, “**Training**”), to be completed within 90 days from the publication of the News Release.
- (4) The Company is to provide the Listing Department with the course provider’s written certification of Mr Wong’s full compliance with the Training requirement within two weeks after Mr Wong’s completion of the Training at (3) above.
- (5) Mr Tsoi (who is no longer on the board of the Company and is not a director of other issuer listed on the Exchange) is to (a) undergo the Training as a pre-requisite of any future appointment as a director of any issuer listed on the Exchange; and (b) provide the Listing Department with the course provider’s written certification of his full compliance with the Training requirement upon the Listing Department’s request.
- (6) The Company is to publish an announcement to confirm that each of the directions in sub-paragraphs (1), (3) and (4) above (with respect to the Company and Mr Wong) has been fully complied with within two weeks after the respective fulfillment of each of those directions. The last announcement required to be published under this requirement is to include the confirmation that all directions in sub-paragraphs (1), (3) and (4) above (with respect to the Company and Mr Wong) have been complied with.

- (7) The Company is to submit drafts of the announcements referred to in sub-paragraph (6) above for the Listing Department's comment and may only publish the announcements after the Listing Department has confirmed it has no further comment on them.

For the avoidance of any doubt, the Exchange confirms that the above sanctions and directions apply only to the Company and the Relevant Directors identified above and not to any other past or present members of the board of directors of the Company.