Titan Petrochemicals Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1192)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the "**Board**") of directors (the "**Directors**") of Titan Petrochemicals Group Limited (the "**Company**") hereby announces the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 (the "**Period**") with comparative figures for the corresponding period in 2017 (the "**Comparative Period**") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	2	**25,769**	616,002
Cost of sales		**(20,332)**	(614,109)
Gross profit		**5,437**	1,893
Other income		**3,563**	80,547
Other losses		**(454,239)**	(35)
Share results of associated companies		**(1,498)**	—
General and administrative expenses		**(100,675)**	(57,498)
Finance costs	3	**(105,406)**	(93,181)
Loss before tax	4	**(652,818)**	(68,274)
Income tax credit	5	**3,840**	615
Loss for the period		**(648,978)**	(67,659)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

	Notes	Six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Loss for the period attributable to:			
Owners of the Company		**(647,339)**	(66,487)
Non-controlling interests		**(1,639)**	(1,172)
		(648,978)	(67,659)
Loss per share attributable to owners of the Company	*7*		
Basic and diluted (HK cents)		**(13.16)**	(0.21)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(648,978)**	(67,659)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**3,998**	4,381
Other comprehensive income for the period, net of tax	**3,998**	4,381
Total comprehensive loss for the period	**(644,980)**	(63,278)
Total comprehensive loss attributable to:		
Owners of the Company	**(643,341)**	(62,106)
Non-controlling interests	**(1,639)**	(1,172)
	(644,980)	(63,278)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2018 (Unaudited) *HK$'000***	31 December 2017 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**2,516,812**	2,593,434
Prepaid land lease payments		**331,177**	337,101
Investment property	*8*	**221,625**	224,419
Goodwill		**138,595**	138,595
Interests in associated companies		**10,395**	55,426
Available-for-sale financial assets		**—**	190,160
Total non-current assets		**3,218,604**	3,539,135
Current assets			
Inventories		**35,791**	24,430
Trade receivables	*9*	**12,539**	309,714
Prepayments, deposits and other receivables		**138,669**	177,504
Tax recoverable		**1,364**	784
Available-for-sale financial assets		**—**	8,356
Cash and cash equivalents		**34,106**	83,385
Total current assets		**222,469**	604,173
Current liabilities			
Trade payables	*10*	**173,838**	179,194
Other payables and accruals	*11*	**453,455**	456,554
Interest payable of bank and other loans		**89,841**	77,449
Bank and other loans		**218,807**	221,991
Amount due to the ultimate holding company		**564,632**	405,948
Amounts due to associated companies		**485**	46,465
Convertible bonds	*12*	**—**	81,853
Total current liabilities		**1,501,058**	1,469,454
Net current liabilities		**(1,278,589)**	(865,281)
Total assets less current liabilities		**1,940,015**	2,673,854

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**30 June 2018 (Unaudited) *HK$'000***	31 December 2017 (Audited) *HK$'000*
Non-current liabilities			
Interest payable of bank and other loans		**—**	261
Bank and other loans		**256,352**	265,315
Amount due to the ultimate holding company		**1,529,834**	1,640,251
Convertible preferred shares	*13*	**401,420**	394,116
Deferred tax liabilities		**122,626**	127,247
Total non-current liabilities		**2,310,232**	2,427,190
Net (liabilities)/assets		**(370,217)**	246,664
Equity			
Attributable to owners of the Company			
Share capital	*14*	**393,645**	393,645
Reserves		**(800,279)**	(162,541)
		(406,634)	231,104
Non-controlling interests		**36,417**	15,560
Total (deficits)/equity		**(370,217)**	246,664

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange at Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

The unaudited consolidated financial statements for the six months ended 30 June 2018 do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim consolidated financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2017,which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in Note 1.1 below.

The unaudited consolidated financial statements for the six months ended 30 June 2018 have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value and are presented in Hong Kong Dollars and all values are rounded to the nearest thousand except when otherwise indicated. The functional currency of the Group is Renminbi and the presentation currency is Hong Kong Dollars.

1.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

For the six months ended 30 June 2018, the Group have applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are relevant to the Group for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The application of the above amendments to HKFRSs for the six months ended 30 June 2018 has had no material effect on the amounts reported in the unaudited consolidated financial statements and/or disclosures set out in the unaudited consolidated financial statements. The Group has not applied any new standard or amendment that is not effective for the current accounting period.

2. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

For management purposes, the Group identifies its business units based on their products and services and are principally engaged in (a) trading of commodities; and (b) shipbuilding, ship-repairing and manufacturing of steel structure.

Management monitors the results of its operating segments separately for the purposes of making decisions about resource allocations and performance assessments. Segment results represent the profit or loss before tax from continuing operations before taking into account interest income from bank and loan, other income and losses, unallocated expenses (including administrative costs) and finance costs.

The accounting policies of the operating segments are the same as the Group's accounting policies described in the Company's annual report for the year ended 31 December 2017.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices. No intersegment sales was generated for the Period (six months ended 30 June 2017: approximately HK$12,706,000).

The following tables present the unaudited segment information for the six months ended 30 June 2018 and 2017.

Six months ended 30 June 2018

	Trading of commodities *HK$'000*	Shipbuilding, ship-repairing and manufacturing of steel structure *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Segment revenue				
— Revenue from external customers	5,173	20,059	537	25,769
Segment results	5	5,296	136	5,437
Adjusted for:				
— Interest income	234	2	471	707
— Other income	(31)	961	1,926	2,856
— Other expenses	(6,681)	(69,117)	(24,877)	(100,675)
	(6,473)	(62,858)	(22,344)	(91,675)
Add: Depreciation and amortisation	154	52,814	968	53,936
Operating loss before interest, tax depreciation and amortisation	(6,319)	(10,044)	(21,376)	(37,739)
Loss on disposal of subsidiaries	—	—	(108)	(108)
Share results of associated companies	(78)	—	(1,420)	(1,498)
Provision for impairment loss of available-for-sale financial assets	—	—	(190,160)	(190,160)
Provision for impairment loss of trade receivables	(103,857)	(160,114)	—	(263,971)
Loss before interest, tax, depreciation and amortisation	(110,254)	(170,158)	(213,064)	(493,476)
Depreciation and amortisation	(154)	(52,814)	(968)	(53,936)
Finance costs	(10,266)	(92,944)	(2,196)	(105,406)
Loss before tax	(120,674)	(315,916)	(216,228)	(652,818)

Six months ended 30 June 2017

	Trading of commodities *HK$'000*	Shipbuilding and ship-repairing *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Segment revenue				
— Revenue from external customers	615,173	829	—	616,002
— Intersegment	12,200	506	(12,706)	—
	627,373	1,335	(12,706)	616,002
Segment results	221	(27,597)	—	(27,376)
Adjusted for:				
— Interest income	—	—	103	103
— Other income	—	—	78,748	78,748
— Other expenses	—	—	(26,568)	(26,568)
	221	(27,597)	52,283	24,907
Add: Depreciation and amortisation	161	21,599	521	22,281
Profit/(loss) before interest, tax, depreciation and amortisation	382	(5,998)	52,804	47,188
Depreciation and amortisation	(161)	(21,599)	(521)	(22,281)
Finance costs	(3,649)	(81,138)	(8,394)	(93,181)
(Loss)/Profit before tax	(3,428)	(108,735)	43,889	(68,274)

3. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interests on:		
Bank and other loans	**19,686**	13,576
Loans from the ultimate holding company	**76,423**	71,211
Titan preferred shares	**7,304**	7,304
Convertible bonds	**1,993**	1,090
Total interest expenses	**105,406**	93,181

4. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting) the amounts as set out below:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Employee benefits expenses (excluding director's remuneration)		
Wages and salaries	**18,091**	6,394
Pension scheme contributions	**3,678**	425
	21,769	6,819
Auditor's remuneration	**544**	465
Minimum lease payments under operating leases: leasehold buildings	**4,778**	4,316
Amortisation of prepaid land lease payments	**4,659**	3,448
Depreciation of property, plants and equipment	**49,277**	18,833
Bank interest income	**(482)**	(103)
Interest received from loan receivable	**(225)**	—
Gain on disposal of property, plant and equipment	**(2)**	—
Loss on disposal of investment in subsidiaries	**108**	—
Provision for impairment of available-for-sale financial assets	**190,160**	—
Provision for impairment of trade receivables	**263,971**	—
Foreign exchange differences, net	**873**	35

5. INCOME TAX CREDIT

Taxes on profits have been calculated at the rates of tax prevailing in the jurisdictions where the Group operates.

Hong Kong

No provision for Hong Kong profits tax has been made as the subsidiaries of the Group did not generate any assessable profits in Hong Kong for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

Singapore

No provision for taxation has been made as the subsidiaries of the Group in Singapore did not generate any assessable profit for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

Mainland China

Under the Law of the People's Republic of China (the "**PRC**") on Enterprise Income Tax (the "**EIT Law**") and implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
Deferred taxation	**3,840**	615
Total income tax credit	**3,840**	615

6. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

7. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

Loss

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period attributable to owner of the Company for the purpose of basic and diluted loss per share	**647,339**	66,487

Number of shares

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**4,920,560,060**	31,235,601,567

Note:

No adjustment has been made to the basic loss per share amount presented for the Period as Titan preferred shares outstanding had an anti-dilutive effect on the basic loss per share amount presented.

8. INVESTMENT PROPERTY

The Group's property interests held under operating leases for investment purpose are measured using the fair value model and are classified and accounted for as investment property. That investment property is held on a long-term basis and is situated in Mainland China.

At 30 June 2018, the investment property under the consolidated statement of financial position with an aggregate net carrying value of approximately HK$221,625,000 (31 December 2017: HK$224,419,000) was pledged to secure the bank and other loans granted to the Group.

The fair value of the investment property is determined at the end of each reporting period based on its market value and by adopting direct comparison method. Direct comparison method assumes the property is capable of being sold in its existing status with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets. The fair values of the Group's investment property as at 30 June 2018 have been arrived at on the basis of a valuation carried out on the respective dates by Ravia Global Appraisal Advisory Limited (31 December 2017: Access Partner Consultancy & Appraisal Limited), an independent qualified valuer not connected to the Group. The investment property located in Mainland China with medium term lease categorised as Level 2 fair value measurement was determined by making reference to the comparable market transactions/asking prices as available in the relevant markets where appropriate. There was no transfer among Level 1, Level 2, and Level 3.

The valuation report for the investment property as at 30 June 2018 was performed by Ravia Global Appraisal Advisory Limited. The person in charge of the valuation report is a member of The Hong Kong Institute of Surveyors. The valuation was performed in accordance with "The HKIS Valuation Standards 2017 Edition" published by the The Hong Kong Institute of Surveyors.

9. TRADE RECEIVABLES

The Group reviews the credit terms of trade receivables from time to time and allows credit terms to well-established customers ranging from 30 to 180 days. Efforts are made to maintain strict control over outstanding receivables and overdue balances are reviewed regularly by management. The management of the Group was of the opinion that provision for impairment was necessary in respect of these balances as there had been a significant change in credit quality.

Provision for impairment of trade receivables of approximately HK$263,971,000 (30 June 2017: Nil) recognised during the Period was based on estimated irrecoverable amounts by reference to the creditability of individual customers, past default experience, subsequent settlement and payment history of the customers. After consulting with the Company's legal adviser, the Group has commenced the legal steps to recover the outstanding amounts. The Group was unable to estimate the possible recoverability of this amount, therefore, provision for impairment of trade receivables has been made based on the prudence view. Trade receivables are non-interest-bearing.

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Trade receivables	**272,522**	311,329
Less: Provision for impairment of trade receivable	**(259,983)**	(1,615)
	12,539	309,714

An aged analysis of trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
0–90 days	**10,565**	151,323
91–180 days	**1,044**	—
181–365 days	**137,215**	108,506
Over one year	**123,698**	51,500
	272,522	311,329

10. TRADE PAYABLES

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

An aged analysis of the trade payables as at the end of the reporting period, based on the date of receipt of goods purchased and services rendered, is as follows:

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
0–90 days	**100,456**	108,810
91–180 days	**5,356**	2,314
181–365 days	**18,091**	30,645
Over one year	**49,935**	37,425
	173,838	179,194

11. OTHER PAYABLES AND ACCRUALS

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Current:		
Amounts due to a deconsolidated jointly-controlled entity	**62,628**	63,418
Receipt in advance	**87,221**	174,704
Accrued expenses	**81,626**	65,582
Others	**221,980**	152,850
	453,455	456,554

12. CONVERTIBLE BONDS

As disclosed in the Company's announcement dated 13 April 2017, the Company and Sino Charm International Limited entered into the subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue and the subscriber has conditionally agreed to subscribe for the convertible bonds with an aggregate principal amount of HK$78,000,000. Based on the conversion price of HK$0.095 per conversion share, a maximum number of 821,052,631 conversion shares may fall to be allotted and issued upon exercise of the conversion rights attached to the convertible bonds in full.

The gross proceeds from the issue of the convertible bonds were HK$78,000,000. The net proceeds from the issue of the convertible bonds (after deducting the relevant costs and expenses) were approximately HK$77,500,000. The proceeds from the issuance of the convertible bonds were used solely as working capital and for the purpose of future expansion of the Group's business.

As disclosed in the Company's announcement dated 28 April 2017, the subscription agreement had been fulfilled and that the convertible bonds in the principal amount of HK$78,000,000 had been issued by the Company to the subscriber on 28 April 2017. Based on the initial conversion price of HK$0.095 per conversion share, a maximum number of 821,052,631 conversion shares may fall to be allotted and issued upon the exercise of the conversion rights attached to the convertible bonds in full.

In accordance with Hong Kong Financial Reporting Standard 13 ("**HKFRS 13**"), for calculating the fair value of convertible bonds, the valuation carried out on the respective dates by Sino-Infinite Appraisal Limited, an independent qualified valuer not connected to the Group. The calculation was based on the Binomial Option Pricing Model ("**BP Model**"). The Cox-Ross-Rubinstein Binomial Model was used to determine the fair value of the convertible bonds. A BP Model typically incorporates a large number of very short time periods to reflect a realistic range of possible prices that a share could achieve over the bond's contractual term, which could result in several hundred total nodes. Binomial common share price tree is constructed with a set of path that predict common share price movement over time. The liability component of the convertible bonds were calculated by discounting the future cash flows of the convertible bonds i.e. principal and coupon, if any, at the hypothetical Bond discount rate of the Company for a period commensurate to the remaining time to maturity of the convertible bonds as of the valuation date.

The convertible bonds expired with its conversion right not being exercised upon the expiry date on its first year of anniversary on 28 April 2018.

13. CONVERTIBLE PREFERRED SHARES

In 2007, the Company issued 555,000,000 convertible preferred shares (the "**Titan preferred shares**") at the stated value of HK$0.56 per share. The fair value of the liability portion of the Titan preferred shares was estimated at the issuance date.

On 4 July 2012, the Company received from Saturn Petrochemical Holdings Limited ("**SPHL**") a notice to redeem all of the Company's outstanding 555,000,000 preferred shares held by it at a redemption amount equal to the notional value of the Company's preferred shares (being HK$310,800,000) together with any accrued and unpaid dividends.

On 10 October 2013, SPHL entered into certain arrangements, including the execution of an instrument of transfer, a declaration of trust and an irrevocable power of attorney by SPHL in favour of Docile Bright Investments Limited ("**DBIL**"), a wholly owned subsidiary of 廣東振戎能源有限公司(Guangdong Zhenrong Energy Limited*) (in liquidation) ("**GZE**") whereby DBIL became entitled to the benefit of all interests arising under or in connection with the Titan preferred shares.

The Company and DBIL (as the lawful attorney of SPHL) subsequently entered into a deed dated 22 August 2014 (as supplemented and amended on 27 February 2015 and 28 May 2015, 30 July 2015 and 16 October 2015) (the "**Listco Preferred Shares Modification Deed**") in relation to, among others, the extension of the redemption period of the Titan Preferred Shares and the restriction of the conversion of the Titan Preferred Shares.

As disclosed in the Company's announcements dated 28 May 2015, 7 August 2015, 5 November 2015 and 5 May 2016, on 28 May 2015, 30 July 2015, 16 October 2015 and 29 April 2016, the Company and DBIL entered into supplemental agreements, pursuant to which the parties agreed to extend the long stop date for the satisfaction of the conditions under the Listco Preferred Shares Modification Deed to 31 July 2015, 31 August 2015, 30 April 2016 and 31 August 2016 respectively.

The Listco Preferred Shares Modification Deed became effective on 24 June 2016.

14. SHARE CAPITAL

	2018		2017	
	Number of shares	**Nominal value of shares**	Number of shares	Nominal value of shares
		HK$'000		*HK$'000*
Authorised:				
Ordinary shares of HK$0.08 each				
As at 1 January 2018/2017 and 30 June 2018/31 December 2017 *(Note a)*	**10,000,000,000**	**800,000**	10,000,000,000	800,000
Convertible preferred shares of HK$0.08 each				
As at 1 January 2018/2017 and 30 June 2018/31 December 2017 *(Note a)*	**69,375,000**	**5,550**	69,375,000	5,550
Issued and fully paid:				
Ordinary shares of HK$0.08 each				
As at 1 January 2018/2017	**4,920,560,060**	**393,645**	30,627,287,770	306,273
Share consolidation *(Note a)*	**—**	**—**	(28,902,253,754)	—
Consideration share issue *(Note b and c)*	**—**	**—**	2,203,266,631	77,449
Loan capitalisation agreement *(Note d)*	**—**	**—**	992,259,413	9,923
As at 30 June 2018/31 December 2017	**4,920,560,060**	**393,645**	4,920,560,060	393,645
Convertible preferred shares of HK$0.08 each				
As at 1 January 2018/2017 and 30 June 2018/31 December 2017 *(Note a)*	**69,375,000**	**5,550**	69,375,000	5,550

Notes:

a) by an ordinary resolution passed by the shareholders at a special general meeting held on 4 September 2017, the Company's every eight issued and unissued existing share of HK$0.01 each be consolidated into one consolidated share of HK$0.08 each;

b) on 10 January 2017 and 15 February 2017, the Company entered into the framework agreement and amended frame agreement respectively, to acquire Hong Kong Asia Pacific Aluminum Co., Limited at the consideration of RMB100,000,000 (equivalent to HK$112,927,997) which was satisfied by issue of 1,411,599,964 consideration shares at the issue price of HK$0.08 by the Company upon completion;

c) on 6 October 2017, Create Treasure Limited, a subsidiary of the Company entered into the sale and purchase agreement to acquire the entire issued capital of Gold Dragon Enterprise Development Limited which was satisfied by issue of 791,666,667 consideration shares at the issue price of HK$0.08 and cash consideration of HK$20,000,000 by the Company to the purchasers;

d) on 20 June 2017, the Company entered into two loan capitalisation agreements to issue the aggregate sum of 992,259,413 consideration shares to two subscribers at the issue price of HK$0.10 each per consideration share to repay the outstanding amounts owed by the Group; and

e) all ordinary shares rank pari passu in all respects.

15. GUARANTEES

As at 30 June 2018, there was no guarantee for the Group (31 December 2017: Nil).

16. CONTINGENT LIABILITIES

a) BVI Proceedings

On 18 June 2012, the Company received two notices from Saturn Storage Limited ("**SSL**")to exercise its redemption rights under the TGIL preferred shares and the TGIL convertible unsecured notes (the "**TGIL Notes Due 2014**"), and SSL applied for an order to appoint joint and several provisional liquidators for, and to liquidate Titan Group Investment Limited ("**TGIL**").

On 17 July 2012 (BVI time), the Eastern Caribbean Supreme Court (the "**BVI Court**") ordered (the "**Order**") the liquidation of TGIL and that Russell Crumpler of KPMG (BVI) Limited together with, Edward Middleton and Patrick Cowley of KPMG be appointed as joint and several liquidators of TGIL with standard powers under the BVI Insolvency Act 2003. The fourth liquidator, Stuart Mackellar of Zolfo Cooper (BVI) Limited, was appointed with limited powers.

On 18 July 2012 (BVI time), Titan Oil Storage Investment Limited ("**TOSIL**"), a wholly owned subsidiary of the Company, and a shareholder of TGIL filed a notice of appeal at the Court of Appeal of the Eastern Caribbean Supreme Court (the "**BVI Court of Appeal**") against the above order and applied for a stay of execution thereof pending the determination of the appeal. The stay application was subsequently withdrawn. Further details in respect of the above are included in the Company's announcement dated 20 July 2012.

The BVI Court of Appeal was stayed until 20 March 2013 (BVI time) by consent of TOSIL as appellant and SSL and TGIL as respondents. The Appeal has been withdrawn as part of the settlement of all litigation relating to the Group pursuant to the settlement deed.

A number of distributions to the creditors of TGIL is still in progress until the liquidators of TGIL are released from all the obligations under the Order.

b) PRC Proceedings

(i) 泉州船舶工業有限公司(Titan Quanzhou Shipyard Co., Ltd*) ("**TQS**"), a wholly-owned subsidiary of the Company, as the second defendant, was claimed by Shanghai Pudong Development Bank Fuzhou Branch ("**SPDB**") in Xiamen Maritime Court for overdue bank loan by GZE. The lawyer of TQS attended the Court hearing and defended that TQS was not the appropriate defendant for this claim by SPDB against GZE. The Court rendered a judgment on 27 December 2017, declaring that SPDB had withdrawn all the claims against TQS which was the second defendant. For details, please refer to the announcements of the Company dated 31 August 2016, 17 November 2017 and 24 January 2018, respectively.

(ii) As per a writ of summons (Hui Action No.: 2483) (the "**Summons**") of the People's Court of Hui'an County, Fujian Province of the PRC (the "**Court**"), the responsible person of TQS, a directly wholly owned subsidiary of the Company, had been summoned to appear before the Enforcement Division of the Court on the afternoon of 15 September 2017. The Summons is in relation to an outstanding case involving a sale and purchase agreement, which is being enforced by the Court. As the case seems to be related to the debts of TQS incurred before the resumption of the Company, which had been assumed by Fame Dragon International Investment Limited (in liquidation), a direct controlling shareholder of the Company.

For details, please refer to the announcement of the Company dated 18 September 2017.

(iii) 廣州華南石化交易中心有限公司(Guangzhou Southern China Petrochemical Exchange Centre Co., Ltd.*) (the "**Southern China Petrochemical Exchange Centre**"), a subsidiary of the Company, informed the Company that the Intermediate People's Court of Wuxi City in Jiangsu Province, the PRC had made an order to freeze 70% equity interest of Southern China Petrochemical Exchange Centre (the "**Freeze of Shares**"). The aforesaid 70% equity interest is beneficially owned by 石獅市益泰潤滑油脂貿易有限責任公司(Shishi Yitai Lubricants Youzhi Trading Co., Ltd.*) ("**Shishi Yitai**"), a wholly-owned subsidiary of the Company. On 29 June 2007, Shishi Yitai and 廣州南沙振戎倉儲有限公司(Guangzhou Nansha Zhenrong Storage Co., Ltd.*) ("**Nansha Storage**"), which is currently a subsidiary of the substantial shareholder of the Company, GZE, entered into a shareholding entrustment agreement, pursuant to which Nansha Storage should hold, as a nominee shareholder, the abovementioned 70% equity interest for and on behalf of Shishi Yitai. The Company was informed that the Freeze of Shares was resulted from the legal proceedings of GZE and Nansha Storage in China. The total asset of Southern China Petrochemical Exchange Centre represents less than 5% of the total asset of the Group and its business is not the principal business of the Group.

For details, please refer to the announcement of the Company dated 26 September 2017.

(iv) TQS, a direct wholly-owned subsidiary of the Company, had received a civil judgment ((2015) Fujian Min Chu Zi No.:153) (the "**Civil Judgment**") on 12 November 2017 issued by the China Fujian Provincial People's High Court (the "**Court**") and informed the Company on 13 November 2017. The Civil Judgment is in relation to the debts dispute between GZE, the controlling shareholder of the Company, and its creditor 廈門市金財投資有限公司(Xiamen Jincai Investment Company Limited*) ("**Jincai Investment**"). In that case, as GZE is indebted to Jincai Investment, whereas TQS is indebted to GZE, Jincai Investment had, based on its subrogated rights, filed legal proceeding against TQS with the Court and requested TQS for direct repayment. The Court decided to agree with the partial requests of Jincai Investment and as per the Civil Judgment, TQS was ordered to repay directly to Jincai Investment for GZE's loan principal and interest indebted to Jincai Investment in the total amount of RMB527,619,419.31.

For details, please refer to the announcement of the Company dated 13 November 2017 and 17 November 2017.

(v) TQS, a wholly-owned subsidiary of the Company had received a notice of maturity debt note (2016) Guangdong 01 Zhi 552, one of 553 (the "**Notice of Maturity Debt Note**") issued by Guangdong Province Intermediate People's Court, Guangzhou City. The Notice of Maturity Debt Note involving the financial disputes between GZE and its creditors, 陽泉煤業集團國際貿易有限公司(Yangquan Coal Industry Group International Trade Company Ltd*), and the court had ordered to freeze the rights of the maturity of debts owned by GZE in TQS, in the limit of RMB249,328,173.39.

For details, please refer to the announcement of the Company dated 31 August 2016 and 24 January 2018.

c) Hong Kong Proceedings

There was no Hong Kong proceeding as at 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group is principally engaged in the business of trading of commodities, shipbuilding, ship-repairing and manufacturing of steel structure.

For the six months ended 30 June 2018 ("**the Period**"), the unaudited consolidated revenue of the Group was approximately HK$25,769,000, whereas the revenue of the Group was approximately HK$616,002,000 for the six months ended 30 June 2017 ("**the Comparative Period**").

During the Period, the Group's trading of commodities recorded revenue of approximately HK$5,173,000 (approximately HK$615,173,000 for the Comparative Period). Revenue of approximately HK$20,059,000 was generated from shipbuilding, ship-repairing and manufacturing of steel structure during the Period (approximately HK$829,000 for the Comparative Period).

During the Period, the Group recorded other income of approximately HK$3,563,000 (approximately HK$80,547,000 for the Comparative Period). The Group had been granted subsidies from the shipbuilding and ship-repairing sectors in the People's Republic of China ("**PRC**") of approximately HK$2,135,000 during the Period. The other income for the Comparative Period was mainly due to the capital gain of HK$78,755,000 from the acquisition of 舟山亞泰船舶工業有限公司(Zhoushan Yatai Shipbuilding Engineering Co. Ltd*) completed during the first half of year 2017. The Group recorded other losses of HK$454,239,000 during the Period, and there was the provision for impairment of the trade receivables amounting to approximately HK$263,971,000 after the evaluation and assessment of the recoverability and ageing analysis by the Board. The Board considered and doubted the recoverability of such relatively long-outstanding receivable, and therefore relevant provision was made to reflect the true and fair view. After evaluation and assessment, the Group made the provision for impairment of available-for-sale financial assets amounting to approximately HK$190,160,000 during the Period.

The Group's administrative expenses increased from HK$57,498,000 for the six month ended 30 June 2017 to approximately HK$100,675,000 for the Period, mainly including depreciation and amortisation of approximately HK$53,936,000 and employees and directors benefit expenses of approximately HK$22,500,000.

Finance cost for the Period was approximately HK$105,406,000, representing mainly the interest from bank and other loans amounting to approximately HK$19,686,000 and loan interest from ultimate holding company amounting to approximately HK$76,423,000.

During the Period, the Group recorded loss attributable to owners of the Company of approximately HK$647,339,000, while the loss attributable to owners of the Company of approximately HK$66,487,000 for the Comparative Period. During the Period, besides the provision for impairment made for the above-mentioned trade receivables amounting to approximately HK$263,971,000, there was another provision for impairment of available-for-sale assets amounting to approximately HK$190,160,000. The Group invested approximately HK$112,928,000 by the consideration shares in the first half of year 2017 to acquire 100% of the issued share capital of an entity where its subsidiaries and associated company are principally engaged in repairing and reconstruction of marine and offshore drilling platforms, marine engineering equipment and facilities. During the Period, the Group had a dispute with the original vendor, and the Group strived to have access to the books and records of this entity and its subsidiaries and associated company, but failed to obtain any substantive information. The Board doubted the recoverability of this amount and therefore, the provision for the impairment of the available-for-sale assets was made as at 30 June 2018. The Group will continue to negotiate with the original vendor, and seek various methods including legal means or dispose the interest of that entity and its subsidiaries and associated company to third parties to maximize the recovery or return in this investment. The Group invested HK$49,000,000 in an investment which was mainly consist of preferred shares of a private entity that was incorporated in Hong Kong. It is principally engaged in investments and mergers and acquisitions in the shipbuilding industry and the upstream and downstream of the ship-engineering industry chains. As at 30 June 2018, the Group has been unable to gain access to the financials of this entity in the recent months and, inter alia unable to assess the recoverability of such investment, therefore, the impairment was provided for the available-for-sales assets under the conservative view. The Group will continue to pursue recovery action to maximize the recovery and return.

The basic loss per share was approximately HK13.16 cents for the Period, and the basic loss per share was approximately HK0.21 cents for the Comparative Period.

As at 30 June 2018, the cash and cash equivalents of the Group amounted to approximately HK$34,106,000, representing a decrease of approximately HK$49,279,000 as compared with the cash and cash equivalents of approximately HK$83,385,000 as at 31 December 2017. The decrease of cash and cash equivalents was mainly resulted from the operating of shipyard factories.

BUSINESS REVIEW

The Group is principally engaged in the business of trading of commodities, shipbuilding, ship-repairing and manufacturing of steel structure.

Revenue of the Group for the Period was approximately HK$25,769,000, which was mainly attributable to the income from the shipbuilding, ship-repairing and manufacturing of steel structure and also the trading of bulk commodities business. For the Comparative Period, the revenue of the Group was mainly from the trading of bulk commodities business, including petroleum, petrochemical and other related products.

The Group recorded other income of approximately HK$3,563,000 arising mainly from the subsidies granted in the ship factories in PRC (approximately HK$80,547,000 for the Comparative Period). The Group's loss attributable to owners of the Company for the Period was mainly due to 1) an increase in employee cost which amounted to approximately HK$22,500,000 for the Period (HK$12,444,000 for the Comparative Period) and an increase in depreciation and amortisation costs amounting to approximately HK$53,936,000 for the six months ended 30 June 2018 (2017: HK$22,281,000 for the Comparative Period), which was arising from the acquisition of 江蘇宏強船舶重工有限公司 (the "**OPCO**") in the fourth quarter of 2017 being record in the books under the category of general and administration expenses; 2) there was an exceptional capital gain of HK$78,755,000 for the Comparative Period while there was no exceptional gain in the first half of year 2018; 3) there was addition on provision for impairment of trade receivables which amounted to HK$263,971,000; and 4) the provision for impairment of available-for-sale financial assets which amounted to approximately HK$190,160,000 leading to such loss for the Period.

The Group recorded a loss attributable to owners of the Company of approximately HK$647,339,000 for the Period, as compared to the loss attributable to owners of the Company of approximately HK$66,487,000 for the Comparative Period.

TRADING OF COMMODITIES

During the Period, the Group recorded revenue of its trading business of various bulk commodities products which achieved sales of approximately HK$5,173,000 while during the six months ended 30 June 2017, the Group had recorded revenue of its trading business of various bulk commodities products like petroleum, petrochemical and other related products which achieved sales of approximately HK$615,173,000. The management from time to time reviews the global market trend of bulk commodities business and would deploy internal resources whenever this sector of business is fruitful to the Group.

SHIPBUILDING, SHIP-REPAIRING AND MANUFACTURING OF STEEL STRUCTURE

The Company placed its effort on its ship-repairing and shipbuilding business in China's coastal regions and/or to make alliance with a number of leading local large-scale ship repair base to ensure the rational use of production settings and deployment of resources, to build up the Asian ship-repairing platform (in terms of dock capacity) and to strengthen the business size in an orderly manner so as to enable the Company to achieve sustainable development.

The market conditions in the marine related service industry remain challenging and sluggish due to sustained lower global commodity prices. The Company will review and optimise the business of the Company in due course and formulate appropriate cost-effective and efficient measures for its shipbuilding and marine engineering business.

In the fourth quarter of 2017, the Group acquired the OPCO which operating a large shipyard situated in Nantong City, Jiangsu Province, which is only 68 Kilometers away from Shanghai Pudong. Nantong is a major shipbuilding and offshore engineering base in China, with hundreds of shipbuilding and offshore engineering companies. The location of the shipyard has unique advantages for the shipbuilding business, including favorable weather and water conditions for shipbuilding, close proximity to its major suppliers and subcontractors and easy access to a large pool of shipbuilding specialists and skilled workers in the region.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group's net liabilities amounted to approximately HK$370.2 million, compared to net assets amounted to approximately HK$246.7 million as at 31 December 2017.

The Group financed its operations mainly through the loans from the ultimate holding company, the banks and other independent lenders in Hong Kong, Mainland China and Singapore. As at 30 June 2018,

- Cash and bank balances of approximately HK$34.1 million (31 December 2017: HK$83.4 million). These balances were comprised of:

  — an equivalent of approximately HK$3.1 million (31 December 2017: HK$29.8 million) denominated in US dollars ("**USD**")

  — an equivalent of approximately HK$2,000 (31 December 2017: HK$0.9 million) denominated in Singapore dollars ("**SG$**")

  — an equivalent of approximately HK$24.2 million (31 December 2017: HK$8.3 million), denominated in Renminbi ("**RMB**"). The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

  — approximately HK$6.8 million (31 December 2017: HK$44.4 million) in Hong Kong dollars ("**HK$**")

- Titan preferred shares with a liability portion of HK$401.4 million (31 December 2017: HK$394.1 million).

- Bank and other loans were HK$475.2 million (31 December 2017: $487.3 million). The Group's bank and other loans having maturities within one year amounted to HK$218.8 million (31 December 2017: HK$220.0 million). The effective interest rate ranged from 5.22% to 28% per annum as at 30 June 2018 (31 December 2017: 5.22% to 8.26%).

- Loan from the ultimate holding company of HK$1,799.8 million (31 December 2017: HK$1,822.5 million), of which having maturities within one year amounted to HK$270.0 million (31 December 2017: HK$182.3 million). The effective interest rate was 8.26% as at 30 June 2018 (31 December 2017: 8.26%).

CHARGES ON ASSETS

The Group's loans, were secured or guaranteed by:

- Construction in progress with an aggregate carrying value of HK$770.7 million (31 December 2017: HK$780.4 million);

- Machinery with an aggregate net carrying value of HK$83.2 million (31 December 2017: HK$189.8 million);

- Buildings with an aggregate net carrying value of HK$489.7 million (31 December 2017: HK$490.5 million);

- Prepaid land lease payment with an aggregate net carrying value of HK$296.7 million (31 December 2017: HK$299.9 million);

- Investment property with an aggregate net carrying value of HK$221.6 million (31 December 2017: HK$224.4 million);

- Corporate guarantees to Shanghai Pudong Development Bank executed by the subsidiaries of the ultimate holding company; and

- Personal guarantees executed by a related party and a former director of the Company to Shanghai Pudong Development Bank.

GEARING RATIO

The Group's current ratio was 0.15 (31 December 2017: 0.41). The gearing ratio of the Group, calculated as the loans from the ultimate holding company and bank and other loans divided by total assets, was 0.66 (31 December 2017: 0.58).

CAPITAL EXPENDITURES AND COMMITMENTS

During the six months ended 30 June 2018, there were additions in capital expenditures of property, plant and equipment amounting to approximately HK$3,279,000 (six months ended 30 June 2017: HK$4,190,000).

During the six months ended 30 June 2018, the Group disposed property, plant and equipment amounting to approximately HK$13,000 (HK$430,000 for Comparative Period).

As at 30 June 2018, the total amount of capital expenditure commitments contracted by the Group but not provided for was nil (HK$Nil for Comparative Period). All contracts already expired over several years, the Group management expected that those contracts were remote and there will be no capital expenditure incurred, and no provision would be made, thus not accounted for all such commitment.

PROSPECTS

Going forward, the China's shipbuilding industry will continue to face the overcapacity, price-competitiveness and fierce competition. Accordingly, some shipbuilding enterprises with superior operation performance are expected to ultimately survive and those focusing on market segments and specialising in niche market will also survive. It is expected that China's shipbuilding industry will accelerate its transformation and will generally enter into an industrial structure adjustment stage. Following the implementation of the national continuing strategies of "One Belt, One Road", "Made in China 2025" and "The thirteen five year plan", the Group would be taking advantages and embracing new opportunities to continually optimise the business structure of the Company, in order to grasp the opportunities when the upturn of the China's shipbuilding market eventually comes.

The Group will continue to adopt diversified business strategies to cope with the risks of the China's domestic economy downturn, and allocate resources flexibly to seize any possible investment opportunities. The Group believes that our business will continue to expand and generate value to our investors. Ultimately, the Group will continue to strengthen its overall financial position in preparation for any possible changes in the industry. The Group is cautiously optimistic with the Group's business performance in the second half of 2018.

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

The Group had no material acquisitions, disposals and significant investment during the Period.

LITIGATIONS

For details of the litigation of the Company, please refer to note 16 of the notes to the condensed consolidated financial statements under the section of "Contingent Liabilities" in this announcement.

CAPITAL STRUCTURE

For details of the capital structure of the Company, please refer to note 14 of the notes to the condensed consolidated financial statements in this announcement.

FOREIGN EXCHANGE EXPOSURE

The Group operated in PRC, Hong Kong and Singapore and primarily used RMB for the business in PRC, HK$ in Hong Kong and USD and SG$ in Singapore. The Group was exposed to foreign exchange risk based on fluctuations between HK$ and RMB arising from its core operation in the PRC. The Group does not undertake any derivatives financial instruments or hedging instruments for speculative purposes. The Group will constantly review the economic situation and its foreign currency risk profile. It is generally acknowledged that the People's Bank of China exercises real-time foreign exchange control in PRC. It would be difficult to adopt measures in order to hedge exchange risk of foreign currencies and the Group will minimise the adverse impact caused by loss from exchange as mentioned above.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had 320 employees (31 December 2017: 415), of which 307 employees (31 December 2017: 391) worked in PRC, all of which were from OPCO, Titan Quanzhou Shipyard, and Shanghai office, and 13 employees (31 December 2017: 24) were based in Hong Kong and no employee worked in Singapore (31 December 2017: Nil), respectively. Remuneration packages including basic salaries, bonuses and benefits-in-kind, were structured by reference to market terms and individual merit and are reviewed on an annual basis based on performance appraisals. No share options were granted to employees of the Group during the Period Nil for Comparative Period).

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (HK$Nil for the Comparative Period).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

SUBSEQUENT EVENTS

There has been no major subsequent event of the Company from 30 June 2018 to the date of this announcement.

Convertible bonds

(i) As disclosed in the announcement dated 13 April 2017, the Company and Sino Charm International Limited (the "**Subscriber A**") entered into the subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber A has conditionally agreed to subscribe for the convertible bonds with an aggregate principal amount of HK$78,000,000. Based on the conversion price of HK$0.095 per conversion share, a maximum number of 821,052,631 conversion shares may fall to be allotted and issued upon exercise of the conversion rights attached to the convertible bonds in full.

The gross proceeds from the issue of the convertible bonds were HK$78,000,000. The net proceeds from the issue of the convertible bonds (after deducting the relevant costs and expenses) were approximately HK$77,500,000.

As disclosed in the announcement dated 28 April 2017, the subscription agreement have been fulfilled and that the convertible bonds in the principal amount of HK$78,000,000 have been issued by the Company to the subscriber on 28 April 2017.

For details, please refer to the announcements of the Company dated 13 April 2017 and 28 April 2017 respectively.

The convertible bonds expired with its conversion rights not being exercised upon the expiry date on its first year of anniversary on 28 April 2018.

SHARE OPTION SCHEMES

A share option scheme (the "**2002 Share Option Scheme**") was approved and adopted by the then shareholders of the Company (the "**Shareholders**") on 31 May 2002 (as amended on 24 June 2010) and terminated on 20 June 2011, for a period of 10 years commencing on the adoption date.

On 20 June 2011, a share option scheme (the "**2011 Share Option Scheme**") was approved and adopted by the then shareholders of the Company, for a period of 10 years commencing on the adoption date. On 26 June 2017, the scheme limit under 2011 Share Option Scheme is refreshed and was approved and adopted by the shareholders at the annual general meeting of the Company held on 26 June 2017 and the Company is allowed to grant further options under the 2011 Share Option Scheme carrying the rights to subscribe for a maximum of 3,203,888,773 Shares. As the share consolidation became effective on 5 September 2017, 400,486,096 shares may be issued under the 2011 Share Option Scheme.

Subject to the terms and conditions of the 2011 Share Option Scheme, the Board may, at its discretion, grant share options to any eligible person to subscribe for the shares in the Company (the "**Shares**") within the validity period of the scheme. The Group offered to grant a total of 389,233,600 share options to the Directors and its eligible participants on 22 January 2018 (subject to the acceptance of the grantees). As no grantees had accepted the aforesaid share options before the expiry date, the offer to grant of share options was lapsed on 20 February 2018.

CORPORATE GOVERNANCE

Compliance with Corporate Governance Code

The Company has applied the principles of, and complied with the applicable code provisions of the Corporate Governance Code ("**CG Code**") and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except for certain deviations which are summarised below:

In accordance to provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive should be clearly established and set out in writing.

Dr. Zhang Weibing ("**Dr. Zhang**") has resigned as Chairman of the Board with effect from 2 March 2018 due to health reasons. Mr. Tang Chao Zhang ("**Mr. Tang**"), the Chief Executive of the Company, took the role of the Chairman of the Board in replacement of Dr. Zhang with effect from 5 March 2018. Since then, Mr. Tang acts as both the Chairman and the Chief Executive of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group.

In accordance to provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Yin Lantian ("**Mr. Yin**"), the non-executive Director, was unable to attend the special general meetings of the Company on 5 February 2018 and 21 February 2018 respectively as he had other engagements. Mr. Lau Fai Lawrence ("**Mr. Lau**"), Ms. Xiang Siying ("**Ms. Xiang**") and Dr. Han Jun ("**Dr. Han**"), the independent non-executive Directors, were unable to attend the special general meeting of the Company on 5 February 2018 as they have other engagements.

On 26 July 2018, Mr. Li Jiaqi ("**Mr. Li**") was retired as a non-executive Director and Ms. Xiang was retired as an independent non-executive Director. Following the retirement of Ms. Xiang, the audit committee of the Company (the "**Audit Committee**") comprised two members which falls below the minimum number of members required under Rule 3.21 of the Listing Rules ("**R3.21 Requirement**"). The chairman position of the remuneration committee of the Company ("**Remuneration Committee**") had vacated and the members of the Remuneration Committee did not comprise a majority of independent non-executive Directors as required under Rule 3.25 of the Listing Rules ("**R3.25 Requirement**"). Further, as the nomination committee of the Company (the "**Nomination Committee**") comprised two members which fell below the minimum number of members required under the terms of reference of the Nomination Committee and deviated from the code provision A.5.1 of the CG Code contained in Appendix 14 of the Listing Rules (the "**NC Requirement**").

On 1 August 2018, Dr. Han resigned as an independent non-executive Director. The number of independent non-executive Director had fallen below the minimum number and fell below one-third of the Board as required under Rules 3.10(1) and 3.10A of the Listing Rules. In addition, the Audit Committee comprised one member which fell below the R3.21 Requirement. The member of the Remuneration Committee did not comply with R3.25 Requirement. Further, the Nomination Committee comprised one member, and was not in compliance with the NC Requirement.

On 10 August 2018, the Company changed its composition of board committees, and therefore had complied with the (i) R3.21 Requirement; (ii) R3.25 Requirement and (iii) NC Requirement.

As at the date of this announcement, the number of independent non-executive Director is still below the minimum number, and it falls below one-third of the Board as required under Rules 3.10(1) and 3.10A of the Listing Rules.

The Company will endeavour to identify suitable candidate(s) to meet the minimum number of independent non-executive Director as soon as practicable as required under Rule 3.11 of the Listing Rules.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by Directors and the relevant employees of the Group. The Company, having made specific as enquiries to all Directors, confirmed that all Directors have complied with the required standard of dealings set out therein throughout the Period.

Audit Committee

As at the date of this announcement, the Audit Committee of the Company consists of two independent non-executive Directors, namely Mr. Lau and Mr. Sun Feng ("**Mr. Sun**") and one non-executive Director, namely Mr. Lai Wing Lun ("**Mr. Lai**"). The Audit Committee is chaired by Mr. Lau who is a practising certified public accountant. The Audit Committee had reviewed the accounting principles and practices adopted by the Group and discussed with the management in respect to the financial reporting matters, including review of the unaudited interim results of the Group for the Period, and was of the opinion that such statements complied with the applicable accounting standards and the Listing Rules and that adequate disclosures had been made.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2018.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement has been published on the website of the Company (***www.petrotitan.com***) and the website of the Stock Exchange (***www.hkexnews.hk***). The interim report containing all the information required by Listing Rules will be published on the websites of the Company and the Stock Exchange and will be despatched to the shareholders of the Company in due course.

By Order of the Board
Titan Petrochemicals Group Limited
Tang Chao Zhang
Chairman, Chief Executive and Executive Director

Hong Kong, 31 August 2018

As at date of this announcement, the executive Directors are Mr. Tang Chao Zhang (Chairman and Chief Executive), Dr. Liu Liming, Mr. Zhang Qiandong and Mr. Chen Binyan; the non-executive Directors are Mr. Osman Mohammed Arab and Mr. Lai Wing Lun; and independent non-executive Directors are Mr. Lau Fai Lawrence and Mr. Sun Feng.