# Titan Petrochemicals Group Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1192)**

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "**Board**") of Titan Petrochemicals Group Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 with comparative figures for the year ended 31 December 2017, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2018*

| | Notes | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **Revenue** | *3(i)* | **64,883** | 1,024,146 |
| Cost of sales | | **(48,180)** | (1,008,673) |
| **Gross profit** | | **16,703** | 15,473 |
| Other income | *3(ii)* | **13,047** | 3,863 |
| Other (loss)/gain | *4* | **(1,999,258)** | 40,590 |
| Share results of associate companies | | **(5,407)** | (1,878) |
| General and administrative expenses | | **(183,229)** | (126,252) |
| Finance costs | *5* | **(213,623)** | (190,796) |
| Loss before tax | *6* | **(2,371,767)** | (259,000) |
| Income tax credit(expense) | *7* | **1,281** | (6,346) |
| **LOSS FOR THE YEAR** | | **(2,370,486)** | (265,346) |
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | **(2,368,589)** | (263,630) |
| Non-controlling interests | | **(1,897)** | (1,716) |
| | | **(2,370,486)** | (265,346) |
| **BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY** | *8* | | |
| | | | *(Re-presented)* |
| Basic per share (HK cents) | | (48.14) | (6.38) |
| Diluted per share (HK cents) | | (48.14) | (6.38) |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2018*

| | *Notes* | **2018** **HK$'000** | 2017 *HK$'000* |
|---|---|---|---|
| **Loss for the year** | | **(2,370,486)** | (265,346) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translation of foreign operations | | **95,948** | 1,448 |
| *Items that will not be reclassified to profit or loss:* | | | |
| Written-off of financial assets at fair value through other comprehensive income | | **(189,054)** | — |
| | | **(93,106)** | 1,448 |
| Other comprehensive (loss) / income for the year, net of tax | | **(93,106)** | 1,448 |
| **Total comprehensive loss for the year** | | **(2,463,592)** | (263,898) |
| **Total comprehensive loss attributable to:** | | | |
| Owners of the Company | | **(2,461,073)** | (262,182) |
| Non-controlling interests | | **(2,519)** | (1,716) |
| | | **(2,463,592)** | (263,898) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2018*

| | Notes | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **935,932** | 2,593,434 |
| Prepaid land lease payments | | **276,716** | 337,101 |
| Investment properties | | **214,076** | 224,419 |
| Goodwill | | **—** | 138,595 |
| Interest in associate companies | | **9,517** | 55,426 |
| Avaliable-for-sale financial assets | | **—** | 190,160 |
| Total non-current assets | | **1,436,241** | 3,539,135 |
| **CURRENT ASSETS** | | | |
| Inventories | | **24,970** | 24,430 |
| Trade receivables | *9* | **40,370** | 309,714 |
| Prepayments, deposits and other receivables | | **53,054** | 177,504 |
| Tax recoverable | | **—** | 784 |
| Available-for-sale financial assets | | **—** | 8,356 |
| Cash and cash equivalents | | **11,305** | 83,385 |
| Total current assets | | **129,699** | 604,173 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *10* | **172,982** | 179,194 |
| Other payables and accruals | | **449,115** | 456,554 |
| Bank and other loans | | **229,335** | 221,991 |
| Interest payable of bank and other loans | | **93,799** | 77,449 |
| Convertible bonds | | **—** | 81,853 |
| Tax payable | | **40** | — |
| Liability portion of convertible preferred shares | *11* | **408,724** | — |
| Amounts due to associate companies | | **—** | 46,465 |
| Amount due to the ultimate holding company | | **620,062** | 405,948 |
| Total current liabilities | | **1,974,057** | 1,469,454 |
| **NET CURRENT LIABILITIES** | | **(1,844,358)** | (865,281) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2018*

| | Notes | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **(408,117)** | 2,673,854 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest payables of other loans | | **—** | 261 |
| Other loans | | **237,627** | 265,315 |
| Amount due to the ultimate holding company | | **1,477,726** | 1,640,251 |
| Liability portion of convertible preferred shares | *11* | **—** | 394,116 |
| Deferred tax liabilities | | **120,319** | 127,247 |
| Total non-current liabilities | | **1,835,672** | 2,427,190 |
| **NET (LIABILITIES)/ASSETS** | | **(2,243,789)** | 246,664 |
| **EQUITY** | | | |
| **Attributable to owners of the Company** | | | |
| Share capital | *12* | **393,645** | 393,645 |
| Deficits | | **(2,650,475)** | (162,541) |
| | | **(2,256,830)** | 231,104 |
| Non-controlling interests | | **13,041** | 15,560 |
| **TOTAL (DEFICITS)/EQUITY** | | **(2,243,789)** | 246,664 |

## 1.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations), issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). They have been prepared under the historical cost convention, except for the investment property, which has been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group incurred a net loss of approximately HK$2,370,486,000 for the year ended 31 December 2018 and had net current liabilities of approximately HK$1,844,358,000 as at 31 December 2018. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liability in the normal course of business. Nevertheless, the Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the date of approval of these consolidated financial statements, on the basis that:

(i) The majority of current liabilities recorded in one of the PRC subsidiaries which the Group will strive to negotiate the terms of repayment and it may have minimal effects to the Group;

(ii) The Directors will strengthen to implement measures aiming of improving the working capital and cash flows of the Group including closely monitor the general administrative expenses and operating costs; and

(iii) The Directors will negotiate with certain bankers to obtain additional banking facilities, if necessary.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to the consolidated financial statements to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments have not been reflected in the consolidated financial statements.

## 1.2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**New and Amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

| | |
|---|---|
| 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 |

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**HKFRS 15 *Revenue from Contracts with Customers***

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Trading of commodities; and

- shipbuilding, ship repairing and manufacturing of steel structure.

**HKFRS 9 *Financial Instruments***

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and other items (for example, contract assets, lease receivables and financial guarantee contracts).

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

*Summary of effects arising from initial application of HKFRS 9*

| | Carrying amount as at 31 December 2017 *HK$'000* | Effect of adoption of HKFRS 9 *HK$'000* | Carrying amount as at 1 January 2018 *HK$'000* |
|---|---|---|---|
| Trade receivables | 309,714 | (25,701) | 284,013 |
| Deficits | (162,541) | (25,701) | (188,242) |
| Equity investment at fair value through other comprehensive income | 190,160 | (1,160) | 189,000 |
| FVTOCI reserve | — | 1,160 | 1,160 |

## 1.3 NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 16 | Leases[1] |
| HKFRS 17 | Insurance Contracts[2] |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement[1] |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015–2017 Cycle[1] |
| Amendments to HKFRS 3 | Definition of a Business[3] |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation[1] |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material[5] |

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for business combinations and assets acquisitions for which the acquisition date is on or after the first period beginning on or after 1 January 2020.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

**HKFRS 16 *Leases***

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale.

HKFRS 16 also includes requirements relating to subleases and lease modifications. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$38,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$1,999,000 and refundable rental deposits received of HK$125,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

## 2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into 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 resources allocations and performance assessments. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, other gains, finance costs, as well as head office and corporate expenses are excluded from such measurement.

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. The intersegment sales for the year ended 2018 was approximately HK$Nil (2017: HK$12,258,000).

**Year ended 31 December 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 | **5,053** | **59,108** | **722** | **64,883** |
| **Segment results** | **34** | **15,947** | **722** | **16,703** |
| Adjusted for: | | | | |
| — interest income | **684** | **5** | **1,393** | **2,082** |
| — other income | **587** | **5,661** | **19,383** | **25,631** |
| — other loss | **—** | **—** | **(9,918)** | **(9,918)** |
| — other expenses | **(10,826)** | **(117,835)** | **(54,568)** | **(183,229)** |
| Add: depreciation and amortisation | **200** | **85,818** | **53** | **86,071** |
| Operating loss before interest, tax, depreciation and amortisation | **(9,321)** | **(10,404)** | **(42,935)** | **(62,660)** |
| Provision for impairment of trade receivables | **(103,857)** | **(132,939)** | **—** | **(236,796)** |
| Provision for impairment of other receivables | **—** | **—** | **(34,916)** | **(34,916)** |
| Provision for impairment of interest in an associate | **—** | **—** | **(32,412)** | **(32,412)** |
| Impairment of goodwill | **—** | **(138,595)** | **—** | **(138,595)** |
| Impairment of property, plant and equipment | **—** | **(1,512,798)** | **—** | **(1,512,798)** |
| Impairment of prepaid land lease payments | **—** | **(48,489)** | **—** | **(48,489)** |
| Share results of associate companies | **—** | **—** | **(5,407)** | **(5,407)** |
| Loss before interest, tax, depreciation and amortisation | **(113,178)** | **(1,843,225)** | **(115,670)** | **(2,072,073)** |
| Depreciation and amortisation | **(200)** | **(85,818)** | **(53)** | **(86,071)** |
| Finance costs | **(17,639)** | **(191,678)** | **(4,306)** | **(213,623)** |
| Loss before tax | **(131,017)** | **(2,120,721)** | **(120,029)** | **(2,371,767)** |

Year ended 31 December 2017

| | 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 | 920,071 | 103,066 | 1,009 | 1,024,146 |
| **Segment results** | 14,400 | (94,982) | — | (80,582) |
| Adjusted for: | | | | |
| — interest income | — | — | 385 | 385 |
| — other income | — | — | 1,400 | 1,400 |
| — other gain | — | — | 5,126 | 5,126 |
| — other expenses | — | — | (36,634) | (36,634) |
| Add: depreciation and amortisation | 348 | 54,893 | 2,123 | 57,364 |
| Operating profit/(loss) before interest, tax, depreciation and amortisation | 14,748 | (40,089) | (27,600) | (52,941) |
| Gain on fair value change of investment property | — | — | 40,030 | 40,030 |
| Gain on disposal of interest in subsidiary | — | — | 3,948 | 3,948 |
| Share results of associate companies | — | — | (1,878) | (1,878) |
| Profit/(loss) before interest, tax, depreciation and amortisation | 14,748 | (40,089) | 14,500 | (10,841) |
| Depreciation and amortisation | (348) | (54,893) | (2,123) | (57,364) |
| Finance costs | — | (165,827) | (24,968) | (190,795) |
| Profit/(loss) before tax | 14,400 | (260,809) | (12,591) | (259,000) |

**Geographical information**

| | Mainland China | | Other Asia Pacific countries | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| a) Revenue | | | | | | |
| Revenue from external customers | **64,883** | 133,496 | **—** | 890,650 | **64,883** | 1,024,146 |
| b) Other information | | | | | | |
| Segment assets | **1,553,370** | 583,042 | **12,570** | 3,560,266 | **1,565,940** | 4,143,308 |
| Segment liabilities | **3,135,903** | 620,460 | **673,826** | 3,276,184 | **3,809,729** | 3,896,644 |
| Capital expenditures | **—** | 6,127 | **—** | 12 | **—** | 6,139 |

The revenue information above is based on the location of the customers. The other information is based on the location of the assets and where the impairment of assets were recorded/reversed.

**Information about major customers**

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A | **—** | 513,697 |
| Customer B | **—** | 211,344 |
| Customer C | **37,551** | — |

## 3. REVENUE AND OTHER INCOME

### (i) Revenue:

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trading of commodities | **5,053** | 920,071 |
| Shipbuilding, ship repairing and manufacturing of steel structure | **59,108** | 103,066 |
| Others | **722** | 1,009 |
| | **64,883** | 1,024,146 |

**(ii) Other income:**

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Rental income | **2,696** | 1,681 |
| Bank interest income | **1,096** | 385 |
| Sundry income | **2,625** | 1,797 |
| Dividend income | **6,630** | — |
| | **13,047** | 3,863 |

## 4. OTHER (LOSS)/GAIN

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Gain on fair value change of investment property | **—** | 40,030 |
| Gain on loan capitalisation | **—** | 30,760 |
| Gain on disposal of interest in subsidiary | **—** | 3,948 |
| Provision for obsolete inventories | **—** | (39,778) |
| Provision for impairment of trade receivables | **(236,796)** | — |
| Provision for impairment of other receivables | **(34,916)** | — |
| Provision for impairment of interest in associate | **(32,412)** | — |
| Impairment of goodwill | **(138,595)** | — |
| Impairment of property, plant and equipment | **(1,512,798)** | — |
| Impairment of prepaid land lease payments | **(48,489)** | — |
| Gain on sale of available-for-sale financial assets | **—** | 504 |
| Exchange difference | **4,748** | 5,126 |
| | **(1,999,258)** | 40,590 |

## 5. FINANCE COSTS

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on: | | |
| Bank and other loans | **47,361** | 27,675 |
| Loans from the ultimate holding company | **149,661** | 144,288 |
| Titan preferred shares | **14,608** | 14,608 |
| Imputed interest on convertible bonds | **1,993** | 4,225 |
| | **213,623** | 190,796 |

## 6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Employee benefits expenses (excluding directors' remuneration): | | |
| Wages and salaries | **27,573** | 14,109 |
| Pension scheme contributions | **376** | 1,152 |
| | **27,949** | 15,261 |
| Depreciation | **86,071** | 40,667 |
| Amortisation of prepaid land lease payments | **2,871** | 6,969 |
| Minimum lease payments under operating leases: leasehold buildings | **5,461** | 7,600 |
| Auditors' remuneration | **980** | 1,132 |
| (Gain)/loss on disposal of property, plant and equipment | **(2)** | 57 |
| Foreign exchange differences, net | **(4,748)** | 5,126 |
| Provision for obsolete inventories | **—** | 39,778 |

## 7. INCOME TAX CREDIT/(EXPENSE)

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 Group's subsidiaries operated in Hong Kong did not generate any assessable profits in Hong Kong for the year ended 31 December 2018 and 2017.

### Singapore

No provision for taxation has been made as the subsidiaries in Singapore did not generate any assessable profit for the year ended 31 December 2018 and 2017.

### Mainland China

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Regulation in the Implementation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax: | | |
| Enterprise Income Tax | **(8)** | — |
| Deferred taxation | **1,289** | (6,346) |
| | **1,281** | (6,346) |

## 8. BASIC AND DILUTED 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:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Loss** | | |
| Loss for the purpose of basic loss per share | | |
| Loss for the year attributable to owners of the Company | **(2,368,589)** | (263,630) |
| Effect of diluted potential ordinary shares: | | |
| Dividends on Titan preferred shares (note) | **—** | — |
| Loss for the purpose of diluted loss per share | **(2,368,589)** | (263,630) |

| | **Number of shares '000** | |
|---|---|---|
| **Number of shares** | **2018** | 2017 |
| | | *(Re-presented)* |
| Weighted average number of ordinary shares for the purpose of basic loss per share | **4,920,560** | 4,131,333 |
| Effective of dilutive potential ordinary shares: | | |
| Titan preferred shares | **—** | — |
| Weighted average number of ordinary shares for the purpose of diluted loss per share | **4,920,560** | 4,131,333 |

*Note:* No adjustment has been made to the basic loss per share amount presented for the years ended 31 December 2018 and 2017 as Titan preferred shares and convertible bond outstanding had an anti-dilutive effect on the basic loss per share amount presented. There has been no movement in the number of ordinary shares during the year of 2018.

## 9. TRADE RECEIVABLES

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **298,235** | 311,329 |
| Accumulated impairment losses | **(257,865)** | (1,615) |
| | **40,370** | 309,714 |

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. Provision for impairment of trade receivable of approximately HK$257,865,000 (2017: HK$1,615,000) recognized for the year ended 2018 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. The Group had commenced legal steps in order to recover part of or the whole amounts. The Group was unable to estimate the possible recoverability of those amounts, therefore, provision for impairment of trade receivables had been made based on the prudence view.

Trade receivables are non-interest-bearing. An aged analysis of trade receivables at the end of the reporting period, based on the invoice date, is as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0–90 days | **38,058** | 151,323 |
| 91–180 days | **306** | — |
| 181–365 days | **1,535** | 108,506 |
| Over one year | **471** | 49,885 |
| | **40,370** | 309,714 |

The Group does not hold any collateral or other credit enhancements over these balances.

As at 31 December 2018, trade receivables of approximately HK$40,370,000 (2017: HK$309,714,000) neither past due nor impaired related to a number of diversified customers for whom there has been no recent history of default and are expected to be recovered in full.

## 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, is as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0–90 days | **110,303** | 108,810 |
| 91–180 days | **1,885** | 2,314 |
| 181–365 days | **4,225** | 30,645 |
| Over one year | **56,569** | 37,425 |
| | **172,982** | 179,194 |

## 11. CONVERTIBLE PREFERRED SHARES

| | **Liability portion** |
|---|---|
| | *HK$'000* |
| **Titan preferred shares** | |
| At 1 January 2017 | 379,509 |
| Add: Dividends on Titan preferred shares | 14,607 |
| At 31 December 2017 and 1 January 2018 | 394,116 |
| Add: Dividends on Titan preferred shares | 14,608 |
| At 31 December 2018 | 408,724 |

In 2007, the Company issued 555,000,000 convertible preferred shares ("**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 outstanding 555,000,000 Titan preferred shares held by it at a redemption amount equal to the notional value of the Titan 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 Guangdong Zhenrong Energy Co., Ltd. ("**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, 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. The Listco Preferred Shares Modification Deed will be conditional upon the fulfillment of certain conditions.

As disclosed in the Company's announcements dated 28 May 2015, 7 August 2015 and 5 November 2015, on 28 May 2015, 30 July 2015, 16 October 2015, 5 May 2016 and 29 April 2016 respectively, the Company and DBIL entered into various 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.

## 12. SHARE CAPITAL

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **Number of shares** | **Nominal value of shares** *HK$'000* | Number of shares | Nominal value of shares *HK$'000* |
| **Authorised:** | | | | |
| Ordinary shares of HK$0.08 each at 31 December 2018 and HK$0.08 each at 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 at 31 December 2018 and HK$0.08 each at 31 December 2017 *(note a) (note 11)* | **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 | **4,920,560,060** | **393,645** | 30,627,287,770 | 306,273 |
| Share consolidation *(note a)* | **—** | **—** | (28,902,253,754) | — |
| Consideration issue *(notes b and c)* | **—** | **—** | 2,203,266,631 | 77,449 |
| Loan capitalization agreement *(note d)* | **—** | **—** | 992,259,413 | 9,923 |
| As at 31 December | **4,920,560,060** | **393,645** | 4,920,560,060 | 393,645 |
| Convertible preferred shares of HK$0.08 each at 31 December 2018 and HK$0.08 each at 31 December 2017 *(note a) (note 11)* | **69,375,000** | **5,550** | 69,375,000 | 5,550 |

*Notes:*

a) By an ordinary resolution passed by the shareholders at 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 framework agreement respectively, to acquire 46% indirect interest in Zhoushan Yatai Shipbuilding Engineering Company 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$0.01 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 million by the Company to the vendor;

d) On 20 June 2017, the Company entered into two loan capitalization agreements to issue 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 share rank pari passu in all respects.

## 13. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2018 (2017: HK$Nil).

## 14. CONTINGENT LIABILITIES

**Proceeding in BVI**

For details, please refer to a) British Virgin Islands ("**BVI**") Proceedings under litigation on page 34 in the result announcement.

**Proceeding in the PRC**

For details, please refer to b) PRC Proceeding under litigation on page 35 in the result announcement.

**Proceedings in Hong Kong**

For details, please refer to c) Hong Kong Proceeding under litigation on page 37 in the result announcement.

## AUDITORS' OPINION

The auditors' opinion as extracted from the Group's financial statements for the year ended 31 December 2018 as set out below:

### Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Titan Petrochemicals Group Limited ("**the Company**") and its subsidiaries (together the "**Group**"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. We do not express an opinion on the consolidated financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Disclaimer of Opinion

1. ***Scope limitation — Opening balances and corresponding figures***

   The auditors' report dated 28 March 2018 in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2017 was disclaimed as a result of scope limitation on (i) impairment assessment of property, plant and equipment and prepaid land lease payments; and (ii) going concern. As a result, we were unable to obtain sufficient appropriate audit evidence regarding the opening balances and corresponding figures and there were no alternative audit procedures to satisfy ourselves as to whether the opening balances and corresponding figures were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets and liabilities as at 31 December 2017 and 2018 and its results for the years ended 31 December 2017 and 2018, and the presentation and disclosure thereof in the consolidated financial statements.

2. ***Scope limitation — Impairment assessment of property, plant and equipment and prepaid land lease payments***

   As at 31 December 2018, property, plant and equipment and prepaid land lease payments of approximately HK$903,512,000 and HK$271,309,000 were related to the Group's shipbuilding operation located in Quanzhou, the PRC which was operated by Titan Quanzhou Shipyard Co., Ltd ("**TQS**").

For the purpose of assessing the impairment for the Group's shipbuilding operation, the assets employed in TQS are identified as separate cash-generating unit ("**CGU**"). The recoverable amounts of the CGU were determined based on management estimated fair value less cost of disposal of the items of assets by using depreciated replacement cost approach. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current construction costs for similar assets, with depreciation allowance or obsolescence arising from physical, functional or economic causes. Based on the assessment of the fair value less lost of disposal, the directors of the Company were in the opinion that an impairment loss of HK$1,229,513,000 in respect of property, plant and equipment have been provided in the consolidated financial statements for the year ended 31 December 2018.

Nevertheless, we have not been provided with sufficient evidences to satisfy ourselves as to the appropriateness of amount of the current construction cost to reproduce or replace the new condition of assets and the allowance for depreciation arising from physical, functional or economic obsolescence. There were no other practical alternative audit procedures that we could perform to satisfy ourselves as to whether the carrying amounts of property, plant and equipment and prepaid land lease payments of approximately HK$903,512,000 and HK$271,309,000 included in the consolidated statement of financial position were free from material misstatements.

### *3. Scope limitation — Fair value of equity investments classified as FVTOCI*

The Group was unable to obtain any financial information of equity investments classified as FVTOCI ("**Investments**") as of and for the year ended 31 December 2018. As such, the Group was unable to estimate the fair value of the Investments as of 31 December 2018, accordingly, the Group has written off the amounts of approximately HK$189,054,000 in relation to the Investments for the year ended 31 December 2018.

In absence of the latest financial information of the Investments and direct access to the management of Investments, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the appropriateness of written off the Investments. There were no other satisfactory audit procedures that we could perform to determine whether any adjustments to the carrying value of the Investments as at 31 December 2018 were necessary.

### *4. Scope limitation — Going concern*

The Group incurred a net loss of approximately HK$2,370,486,000 for the year ended 31 December 2018 and had net current liabilities of approximately HK$1,844,358,000 as at 31 December 2018.

As explained in the basis of preparation set out in the consolidated financial statements, the consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the results of the successful implementation and outcome of the measures to be undertaken by the Group as described to the consolidated financial statements. In view of the extent of the material uncertainties relating to the results of the measures to be undertaken by the Group which might cast a significant doubt on the Group's ability to continue as a going concern, we have disclaimed our audit opinion on the consolidated financial statements.

Should the going concern assumption be inappropriate, adjustments would have to be made to the consolidated financial statements to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liability as current assets and current liabilities respectively. The effect of these adjustments have not been reflected in the consolidated financial statements.

## 5. *Scope limitation — Interest in an associate*

As at 31 December 2017, the Group has 40% equity interests in 振戎重工股份有限公司 ("**Associate**"). As represented by the directors of the Company, the former executive director and Chairman of the Company, Mr. Zhang Weibing ("**Former ED**") was appointed as the legal representative of the Associate and responsible for the monitoring the Associate on behalf of the Group.

In January 2018, the Group further acquired 20% equity interests in the Associate ("**Acquisition**") for the purpose to obtain control so as to consolidate the financial information of the Associate to the Group's consolidated financial statements. Upon the completion of the Acquisition, the Group has 60% equity interests in the Associate and became the subsidiary of the Group ("**Subsidiary**").

However, subsequent to the completion of the Acquisition, in March 2018, the Former ED has resigned the position of the executive director and Chairman of the Company. Since then, the Company actively communicate with the management of the Subsidiary and request to obtain the control over the Subsidiary, including but not limited to the assess of statutory documents and records of the Subsidiary. Nevertheless, despite various communications with the management of the Subsidiary, information obtained by the Group was limited. In March 2019, the Group has no alternative but to take legal action to the management of the Subsidiary for the purpose to take over the control of the Subsidiary. The legal action against the Subsidiary is still on going as at the date of this report.

The directors of the Company are of the opinion that the Group was unable to exercise control over the Subsidiary. Under these circumstances, for the purpose of preparing the consolidated financial statements of the Group for the year ended 31 December 2018, the financial information of the Subsidiary has not been consolidated to the Group. Alternatively, the aggregate investment costs of approximately HK$32,412,000, being the aggregate 60% equity interests in the Subsidiary has been accounted for as "Interest in associates" in the consolidated statement of financial position of the Group. Due to the non-cooperation of the management of the Subsidiary, the Group fully impaired the aggregate investment costs of the Subsidiary and impairment loss of approximately HK$32,412,000 has been recognised in the profit or loss for the year ended 31 December 2018.

In the absence of the books and records of the Subsidiary, there were no alternative audit procedure that we could perform to satisfy ourselves as to whether the Subsidiary should be consolidated to the Group and whether the basis for impairment was appropriate. Any adjustments that might have been found to be necessary in respect of the above would have a significant effect on the net assets of the Group as at 31 December 2018, its net loss for the year then ended and the related disclosures in the consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

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

For the year ended 31 December 2018 ("**the Year**"), the audited consolidated revenue of the Group was approximately HK$64,883,000 while the audited consolidated revenue of the Group was approximately HK$1,024,146,000 for the year ended 31 December 2017.

During the Year, the Group's trading of commodities recorded revenue of approximately HK$5,053,000 (2017: HK$920,071,000). Revenue of approximately HK$59,108,000 was generated from shipbuilding, ship repairing and manufacturing of steel structure during the Year. During the 4th quarter of 2017, the completion of acquisition of Gold Dragon Enterprise Development Limited representing the shipbuilding revenue generated from this sub-group was being consolidated into the Group.

During the Year, the Group recorded other revenue of approximately HK$13,047,000 while the other income was around HK$3,863,000 for the year of 2017. The other revenue for the Year was mainly due to HK$6,630,000 dividend income from the third party.

During the Year, the Group's administrative expenses increased from approximately HK$126,252,000 for the year of 2017 to approximately HK$183,229,000 for the Year, including mainly the depreciation and amortisation in shipyard factories, staff remuneration and related expenses and also the legal and professional charges.

Finance cost for the Year was approximately HK$213,623,000 (2017: HK$190,796,000), representing mainly the interest from bank and other loans of approximately HK$47,361,000 (2017: HK$27,676,000) and loan interest from ultimate holding company approximately to HK$149,661,000 (2017: HK$144,288,000).

During the Year, the Group recorded loss attributable to the owners of the Company of approximately HK$2,368,589,000, compared to the loss approximately HK$263,630,000 attributable to the owners of the Company for the year of 2017. The reason for the loss of the Year was mainly due to (i) the impairment of assets including impairment of property, plant and equipment; (ii) the provision for impairment of trade receivables; (iii) the impairment of prepaid land lease payments; and (iv) the impairment of goodwill.

The basic loss per share was approximately HK48.14 cents for the Year and the basic earning per share was approximately HK6.38 cents for the year of 2017.

As at 31 December 2018, the cash and cash equivalents of the Group amounted to approximately HK$11,305,000, representing a decrease of approximately HK$72,080,000 as compared with the cash and cash equivalents of approximately HK$83,385,000 as at 31 December 2017. The decrease was mainly resulted from the operating of the shipyard and the capital injection of new investment opportunities during the year.

## BUSINESS REVIEW

## TRADING OF COMMODITIES

During the Year, the Group had recorded revenue of its trading business of various bulk commodities products including petroleum, petrochemical and other related products which achieved sales of approximately HK$5,053,000 which the revenue recorded from the trading of commodities was approximately HK$920,071,000 during the year of 2017.

## SHIPBUILDING, SHIP REPAIRING AND MANUFACTURING OF STEEL STRUCTURE

In the 4th quarter of 2017, the Group acquired 江蘇宏強船舶重工有限公司 (the "**OPCO**") which operated a large shipyard situated in Nantong City, Jiangsu Province, and 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.

However the market condition in the marine related service industry remains challenging and sluggish due to sustained lower global commodity prices. The Company will review and optimize the business of the Company in due course and formulate appropriate cost-effective and efficient measure for its' shipbuilding and marine engineering business.

During the year of 2018, the revenue generated over HK$50 million from the building of bulk carrier and the manufacturing of steel structure. The Company completed one bulk carrier and handed over to the customer.

**Outlook**

In the beginning of 2019, OPCO successfully delivered one bulk carrier with carrying capacity of over 40,000 ton, the selling price of which was around US dollars 22 million which brought the OPCO fruitful revenue. After the delivery of this bulk carrier, the management of OPCO will try to negotiate with the present vessel purchaser for the building of another new bulk carrier for a consideration of around US dollars 20 million. OPCO had signed a contract which it will help two bulk carrier to process supplied material, and the total expected revenue would be over Renminbi 42 million per bulk carrier. OPCO will also deploy more resources on amendment work on vessels. Moreover, OPCO will fully utilize the resources to strengthen the manufacturing of steel structure; the Group optimistically forecast that the revenue from the manufacturing of steel structure will be over Renminbi 100 million during the year of 2019.

Since the gradual implementation of BWM convention (壓載水公約) and the increase demand of ship/vessels desulphurization and the macro ship-repairing industry will be recovered during the year 2019, it will provide a good opportunity to OPCO to maintain its operation and business. The Management of OPCO will grasp such rosy opportunity and deploy more resources internally on refitted ship, manufacturing of steel structure, vessels processing with supplied material, so that OPCO will be targeted as multi-operation unit.

Facing the dramatic changes in the real estate sector and the rapid improvement of people's living standard, the Group believes that the cornerstone position of the real estate sector, the demand of property arising from the urbanization process as well as people's pursuit of a better life will remain unchanged.

The Group has the comprehensive building plan to develop a parcel of land (stated as "**investment properties**" in the consolidated statement of financial position) located in Fujian, PRC. The area of the planned land use is 26,000 square meters. According to the preliminary plan, one block of office tower, two block of staff hostel and one block of commercial building would be developed. The building construction plan has been prepared and the process of the construction will be commenced after communicating with the related parties.

As mentioned before, the Board strived to figure out historical matters not only made provision for certain assets like the long-outstanding trade receivables, but also some investments which the books and records are not accessible. The board from time to time reviewing the financial data and may seek legal advice in order to safeguard the present assets and resources of the Group as well as finding different means to investigate some loopholes that the ex-management might have brought to the Group and further announcement will be made to update the shareholders and the investors.

The Group will continue to adopt diversified business strategies to cope with the risks of the domestic economy downturn in China, and allocate resources flexibly to seize any possible investment opportunities. The Group believes that the business will expand stably and generate fruitful value to the shareholders and investors. Ultimately, the Group will continue to strengthen its overall financial and operation position in preparation for any possible changes in the industry or any new opportunities. The group is cautiously optimistic with the Group's business performance in the year of 2019.

**Liquidity and Financial Resources**

As at 31 December 2018, the Group's net liabilities amounted to approximately HK$2,243.8 million, compared to net assets of 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 third parties in Hong Kong and Mainland China. As at 31 December 2018,

a) The Group had:

- Cash and bank balances of HK$11.3 million (31 December 2017: HK$83.4 million). The balances were comprised of:

  — an equivalent of HK$7.4 million (31 December 2017: HK$29.8 million) denominated in US dollars ("**USD**");

  — an equivalent of HK$Nil (31 December 2017: HK$0.9 million) denominated in Singapore dollars ("**SGD**");

  — an equivalent of HK$1.8 million (31 December 2017: HK$8.3 million) denominated in Renminbi ("**RMB**"); and

  — HK$2.1 million (31 December 2017: HK$44.4 million) in Hong Kong dollars ("**HKD**")

- Bank and other loans of HK$467.0 million (31 December 2017: HK$487.3 million). The Group's bank and other loans having maturities within one year amounted to HK$229.3 million (31 December 2017: HK$222.0 million); and

- Loans from the ultimate holding company of HK$2,097.8 million (31 December 2017: HK$1,822.5 million), of which HK$1,477.7 million (31 December 2017: HK$1,640.3 million) having maturities over one year.

b) The Group had:

- Current assets of HK$129.7 million (31 December 2017: HK$604.2 million) and total assets of HK$1,565.9 million (31 December 2017: HK$4,143.3 million);

- Bank and other loans of HK$467.0 million (31 December 2017: HK$487.3 million);

- Convertible preferred shares issued by the Company (the "**Titan preferred shares**") with a liability portion of HK$408.7 million (31 December 2017: HK$394.1 million);

- Convertible bond issued by the Company with liability portion of HK$Nil (31 December 2017: HK$81.9 million); and

- Loans from the ultimate holding company of HK$2,097.8 million (31 December 2017: HK$1,822.5 million).

**Charges on Assets**

The Group's banking and other facilities, were secured or guaranteed by the Group's property, plant and equipment, prepaid land lease payments, corporate guarantees executed by the subsidiaries of the ultimate holding company; and personal guarantees executed by a related party and a former director of the Company.

**Gearing**

The Group's current ratio was 0.07 (31 December 2017: 0.41). The gearing of the Group, calculated as the total bank and other loans and loans from the ultimate holding company to total assets increased to 1.64 (31 December 2017: 0.56).

**Contingent Liabilities**

The details are disclosed in note 14 to the consolidated financial statement in this announcement.

## Foreign Exchange Exposure

The Group operated in PRC, Hong Kong and Singapore and primarily used RMB and USD for the business in PRC, HKD and USD in Hong Kong and USD and SGD in Singapore. The Group was exposed to foreign exchange risk based on fluctuations between HKD, USD and RMB arising from its core operation in the PRC and Hong Kong. The Group did 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, continue to actively monitor foreign exchange exposure to minimize the impact of any adverse currency movement.

## Actual use of fund proceeds issuance from convertible bond in 2017

Based on the records, the proceeds from the issuance of convertible bond of HK$78,000,000 were used as following: (i) approximately HK$20,300,000 was used for the payroll for the Group, rental and utilities charges of the office, legal and professional fees arising from the fund raising activities of the Company in 2017; (ii) HK$4,700,000 was used for capital injection into 振戎重工股份有限公司 (Sinozing Shipyard Stock Limited Company), an associate company of the Company, which focuses on marine engineering equipment and fitting, ship equipment, electro-mechanical equipment and related complementary services (including installation and maintenance service); engaging in the technical development, technical transfer and technical consulting services in the professional fields of shipping and marine engineering machinery, plant leasing arrangement and consulting services to enterprises; (iii) HK$49,000,000 was used for capital injection into Pacific Ocean Marine Limited ("**Pacific Ocean**"), a Hong Kong company, which focuses on investment in ship-building industry, and (iv) HK$4,000,000 was use for the capital injection of Century Light Culture Communication Company Limited. The Directors are currently reviewing on the usage of the above funding.

## Employees and Remuneration Policies

As at 31 December 2018, the Group had 199 employees (31 December 2017: 415), of which 188 employees (31 December 2017: 391) worked in Mainland China, all of which were from OPCO, Titan Quanzhou Shipyard, and Shanghai office and 11 employees (31 December 2017: 20 employees) worked in Hong Kong, 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 year ended 31 December 2018 (2017: Nil).

## LIQUIDITY AND FINANCIAL RESOURCES

### (i) Loan Capitalizations

As disclosed in announcements on 7 July 2017, there were completion of subscription in an aggregate of 992,259,413 consideration shares by loan capitalizations. An aggregate of 992,259,413 consideration shares had been allotted and issued to the respective nominee(s) of the subscriber(s) at a price of HK$0.10 per consideration share and the consideration for the issue of such consideration shares had been used to set off against the outstanding sum of HK$54,369,461 and HK$44,856,480 owed by the Company to the respective subscribers accordingly.

For details, please refer to the announcements of the Company dated 20 June 2017 and 7 July 2017.

### (ii) Share Consolidation

Pursuant to an ordinary resolution passed on 4 September 2017, the share consolidation resolution was approved by the shareholders and that with effect from 5 September 2017, every eight of the existing issued shares of HK$0.01 each in the share capital of the Company were consolidated into one consolidated share having a par value of HK$0.08 per share.

For details, please refer to the announcement and circular of the Company dated 3 July 2017, 8 August 2017 and 4 September 2017 respectively.

### (iii) Convertible Bond

As disclosed in the announcement on 13 April 2017, the Company and Sino Charm International Limited ("**the Subscriber**") entered into the subscription agreement, pursuant to which the Company had conditionally agreed to allot and issue and the Subscriber had conditionally agreed to subscribe for the convertible bond 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 bond is HK$78,000,000. The net proceeds from the issue of the convertible bond (after deducting the relevant costs and expenses) is approximately HK$77,500,000.

As disclosed on 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.

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

## LITIGATION

### a) British Virgin Islands ("BVI") Proceedings

On 18 June 2012, the Company received from Saturn Storage Limited ("**SSL**") two notices to exercise its redemption rights under the convertible preferred shares issued by Titan Group Investment Limited ("**TGIL**") (the "**TGIL preferred shares**") and 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 TGIL.

On 17 July 2012 (BVI time), the Eastern Caribbean Supreme Court of the British Virgin Islands (the "**BVI Court**") ordered (the "**Order**") the liquidation of TGIL and that Russell Crumpler of KPMG (BVI) Limited, 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 Order and applied for a stay of execution of the Order pending the determination of the appeal. The stay application was subsequently withdrawn.

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 BVI Court of 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 creditors of TGIL is still in progress until the liquidators of TGIL are released from all obligation under the Order.

**b) PRC Proceedings**

(i) 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 Guangdong Zhenrong Energy Limited ("**GZE**"). The counsel of TQS has 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.

(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 People's Republic of China (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 afternoon, 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 ("**Fame Dragon**"), 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, had informed the Company that the Intermediate People's Court of Wuxi City in Jiangsu Province, the People's Republic of China 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 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 was indebted to Jincai Investment, whereas TQS was 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 total 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 involved 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 proceedings as at 31 December 2018.

## AUDITORS

The financial statements for the year ended 31 December 2018 have been audited by Elite Partners CPA Limited ("**Elite Partners**"). A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Elite Partners as auditors of the Company.

## DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2018 (2017: HK$Nil).

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2018 and thereafter up to the date of this announcement, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell such securities.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles of, and complied with the code provisions of Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the year under review, 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**") had resigned as the 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 with effect from 5 March 2018. Since then, Mr. Tang acted as both the Chairman of the Board 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.

Mr. Tang had resigned as the Chairman of the Board and Chief Executive and executive Director of the Company on 29 October 2018.

Mr. Chen Bingyan and Mr. Lai Wing Lun were appointed as Co-Chairmen of the Board of the Company with effect from 21 November 2018 and the Company will arrange for the appointment of Chief Executive of the Company as soon as practicable in order to fill the vacancy arising from the resignation of Mr. Tang on 29 October 2018.

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 ("**INED(s)**"), were unable to attend the special general meeting of the Company on 5 February 2018 as they had other engagements. Mr. Tang, the Chairman of the Board and Chief Executive and executive Director and Mr. Osman Mohammed Arab, the non-executive Director, were unable to attend the special general meeting of the Company on 23 October 2018 as they had other engagements.

On 26 July 2018, Mr. Li Jiaqi (“**Mr. Li**”) retired from his role as non-executive Director and Ms. Xiang retired from her role as independent non-executive Director. Following the retirement of Ms. Xiang, the audit committee of the Company (the “**Audit Committee**”) comprised two members which fell 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 (the “**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.

On 23 October 2018, Mr. Teng Yue and Mr. Cheung Hok Fung Alexander were appointed as INEDs of the Company respectively, and that the Company had compiled with the minimum number, and constituted one-third of the Board as required under Rules 3.10(1) and 3.10A of the Listing Rules.

In accordance to provision F.1.2 of the CG Code, the appointment of the company secretary of the Company (“**Company Secretary**”) should be dealt with by a physical board meeting rather than a written resolution. The appointment of the current Company Secretary was dealt with by a written resolution in April 2018. The Board considered that, prior to the execution of the written resolution to appoint the current Company Secretary, all Directors were individually consulted on the matter without any dissenting opinion and there was no need to approve the matter by a physical board meeting instead of a written resolution.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules as the Company's code of conduct regarding directors' securities transactions. Having made specific enquiries with each of the Director, all Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2018.

## REVIEW OF RESULTS BY AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with code provision C.3 of the CG Code and Rule 3.22 of the Listing Rules. The Audit Committee had reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2018 and discussed the same with the management of the Company and the external auditors. As a result, it was of the view that the preparation of such statements had complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements and that adequate disclosure had been made.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the HKExnew's website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk and the website of the Company at http://www.petrotitan.com, respectively. The annual report of the Company for the year ended 31 December 2018 containing all the information required by the Listing Rules will be published on the aforesaid websites and will be despatched to the shareholders in the manner required by the Listing Rules in due course.

By order of the Board
**Titan Petrochemicals Group Limited**
**Chen Bingyan**
*Co-Chairman and Executive Director*

Hong Kong, 29 March 2019

*As at the date of this announcement, the executive Directors are Mr. Chen Bingyan (Co-Chairman), Dr. Liu Liming and Mr. Zhang Qiandong; the non-executive Directors are Mr. Lai Wing Lun (Co-Chairman) and Mr. Osman Mohammed Arab; and the independent non-executive Directors are Mr. Lau Fai Lawrence, Mr. Sun Feng, Mr. Teng Yue and Mr. Cheung Hok Fung Alexander.*

* *for identification only*