Titan Petrochemicals Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1192)

ANNOUNCEMENT OF AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 with comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (restated)
Revenue	2(i)	**254,724**	64,883
Cost of sales		**(228,082)**	(48,180)
Gross profit		**26,642**	16,703
Other income	3	**17,921**	13,047
Other gains and losses	4	**(26,434)**	(1,771,362)
Impairment losses under expected credit loss model, net of reversal		**(3,235)**	(271,712)
Gain on deconsolidation of a subsidiary		**1,766,417**	—
Gain on disposal of subsidiaries, net		**129,054**	—
Share results of associates		**(471)**	(5,407)
General and administrative expenses		**(66,148)**	(139,413)
Finance costs	5	**(203,378)**	(213,623)
Profit (loss) before tax		**1,640,368**	(2,371,767)
Income tax credit	7	**6,519**	20,597
Profit (loss) for the year	6	**1,646,887**	(2,351,170)
Profit (loss) for the year attributable to:			
— Owners of the Company		**1,647,286**	(2,349,273)
— Non-controlling interests		**(399)**	(1,897)
		1,646,887	(2,351,170)
			(restated)
EARNINGS (LOSS) PER SHARE	8		
— Basic		**HK33.48 cents**	(HK47.74 cents)
— Diluted		**HK33.30 cents**	(HK47.74 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Profit (loss) for the year	**1,646,887**	(2,351,170)
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**42,954**	95,173
Release of exchange reserve upon disposal of subsidiaries	**3,869**	—
Release of exchange reserve upon deconsolidation of a subsidiary	**(308,205)**	—
Items that will not be reclassified to profit or loss:		
Written-off of financial assets at fair value through other comprehensive income	**—**	(189,054)
Other comprehensive expense for the year, net of income tax	**(261,382)**	(93,881)
Total comprehensive income (expense) for the year	**1,385,505**	(2,445,051)
Total comprehensive income (expense) attributable to:		
Owners of the Company	**1,386,141**	(2,442,532)
Non-controlling interests	**(636)**	(2,519)
	1,385,505	(2,445,051)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**25,220**	935,932
Right-of-use assets		**4,728**	—
Prepaid lease payments		**—**	276,716
Investment properties		**207,835**	214,076
Interests in associates		**480**	9,517
Equity investments at fair value through other comprehensive income		**—**	—
		238,263	1,436,241
CURRENT ASSETS			
Inventories		**13,448**	24,970
Trade receivables	*9*	**27,673**	40,370
Prepayments, deposits and other receivables		**48,824**	53,054
Bank balances and cash		**3,456**	11,305
		93,401	129,699
CURRENT LIABILITIES			
Trade payables	*10*	**89,987**	172,982
Other payables and accruals		**333,097**	363,906
Bank and other loans		**284,381**	314,544
Interest payable of bank and other loans		**7,189**	93,799
Lease liabilities		**138**	—
Loans from a related party		**5,950**	—
Amount due to the ultimate holding company		**—**	620,062
Liability portion of convertible preferred shares	*11*	**423,332**	408,724
Tax payable		**—**	40
		1,144,074	1,974,057
NET CURRENT LIABILITIES		**(1,050,673)**	(1,844,358)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(812,410)**	(408,117)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000 (restated)
NON-CURRENT LIABILITIES			
Other loans		**—**	237,627
Lease liabilities		**333**	—
Amount due to the ultimate holding company		**—**	1,477,726
Deferred tax liabilities		**39,578**	101,778
		39,911	1,817,131
NET LIABILITIES		**(852,321)**	(2,225,248)
CAPITAL AND RESERVES			
Share capital	*12*	**393,645**	393,645
Reserves		**(1,245,968)**	(2,631,934)
Equity attributable to owners of the Company		**(852,323)**	(2,238,289)
Non-controlling interests		**2**	13,041
TOTAL DEFICITS		**(852,321)**	(2,225,248)

1.1. GENERAL INFORMATION

Titan Petrochemicals Group Limited (the "**Company**") is a limited liability company incorporated in Bermuda on 24 April 1998 as an exempted company under the Bermuda Companies Act 1981 (the "**Act**"). The registered address of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at Room 802, 8/F., OfficePlus@Wan Chai, 303 Hennessy Road, Wanchai, Hong Kong.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in the trading of commodities, ship building, ship repairing and manufacturing of steel structure.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

The immediate holding company and the ultimate holding company are Fame Dragon International Investment Limited ("**Fame Dragon**") (in liquidation), a company incorporated in Hong Kong and 廣東振戎能源有限公司 (Guangdong Zhenrong Energy Co., Ltd*) ("**GZE**") (in liquidation), a company established in the People's Republic of China (the "**PRC**") respectively.

On 2 May 2017, Fame Dragon had received an order from the High Court of Hong Kong, appointing the Official Receiver's Office of The Government of the Hong Kong Special Administrative Region as the provisional liquidator of Fame Dragon as per a winding up petition filed by 振戎有限公司 (Zhenrong Company Limited*), an offshore subsidiary of 珠海振戎公司 (Zhuhai Zhenrong Company*) ("**Zhuhai Zhenrong**"). Zhuhai Zhenrong is the largest shareholder of GZE, which wholly owns Fame Dragon through its wholly owned subsidiary, Guangdong Zhenrong (Hongkong) Company Limited ("**GZE HK**"). On 13 March 2018, the Company received an order that Mr. Osman Mohammed Arab and Mr. Wong Kwok Keung, both of RSM Corporate Advisory (Hong Kong) Limited, were appointed as the joint and several liquidators of the Fame Dragon. For details, please refer to the announcements of the Company dated 5 May 2017 and 13 March 2018 respectively.

On 27 September 2017, GZE and its wholly-owned subsidiary GZE HK were ordered to be wound up by the High Court of Hong Kong. The order was made according to the petitions filed by Industrial Bank Co., Ltd.. Fame Dragon is a wholly-owned subsidiary of GZE (HK) and GZE (HK) is a wholly owned subsidiary of GZE. For details, please refer to the announcement of the Company dated 27 September 2017.

* *For identification purpose only*

1.2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Although the Group reported a net profit attributable to owners of the Company of approximately HK$1,647,286,000 for the year ended 31 December 2019, the Group had net current liabilities of approximately HK$1,050,673,000 and net liabilities of approximately HK$852,321,000 as at 31 December 2019. 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 of the Company (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 Group will strive to negotiate the terms of repayment with creditors of majority of current liabilities recorded in the Company and the PRC subsidiaries;

(ii) The Directors will implement measures aiming of improving the working capital and cash flows of the Group including closely monitoring the general and administrative expenses; 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.

1.3 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 16	Leases
HK (IFRIC)-Interpretation ("**Int**") 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to Hong Kong Accounting Standards ("**HKAS**") 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKAS 40	Annual Improvements to HKFRSs 2015–2017 Cycle

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 positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

1.3.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	38
Less: Recognition exemption — low value leases	(38)
Lease liabilities as at 1 January 2019	—

As at 1 January 2019, the amount of leases not yet commenced to which the lessee is committed is approximately of HK$18,420,000.

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	Right-of-use assets
		HK$'000
Reclassified from prepaid lease payments	*(a)*	276,716

(a) Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the non-current portion of prepaid lease payments amounting to approximately of HK$276,716,000 was reclassified to right-of-use assets.

The transition to HKFRS 16 has no impact on the accumulated losses at 1 January 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2019	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	—	276,716	276,716
Prepaid lease payments	276,716	(276,716)	—

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets should be adjusted to reflect the discounting effect at transition. Based on the assessment by the management of the Company, the amount of the adjustment is insignificant and therefore no adjustment to refundable rental deposits received has been made.

1.4 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 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKAS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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

2. REVENUE AND SEGMENT INFORMATION

(i) Disaggregated revenue information from contracts with customers

For the year ended 31 December 2019

	Trading of commodities *HK$'000*	Shipbuilding, ship repairing and manufacturing of steel structure *HK$'000*	Total *HK$'000*
Type of goods or services			
Shipbuilding	—	73,361	73,361
Manufacturing of steel structure	—	57,644	57,644
Pinus radiate	11,632	—	11,632
Ethylene glycol	101,176	—	101,176
Light cycle oil	10,911	—	10,911
	123,719	131,005	254,724
Geographical markets			
The PRC	123,719	131,005	254,724
Timing of revenue recognition			
A point in time	123,719	—	123,719
Over time	—	131,005	131,005
Total	123,719	131,005	254,724

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Segment revenue *HK$'000*
Trading of commodities	123,719
Shipbuilding, ship repairing and manufacturing of steel structure	131,005
Revenue from contracts with customers and total revenue	254,724

For the year ended 31 December 2018

	Trading of commodities *HK$'000*	Shipbuilding, ship repairing and manufacturing of steel structure *HK$'000*	Total *HK$'000*
Type of goods or services			
Shipbuilding	—	19,912	19,912
Manufacturing of steel structure	—	39,196	39,196
Light cycle oil	5,053	—	5,053
	5,053	59,108	64,161
Geographical markets			
The PRC	5,053	59,108	64,161
Timing of revenue recognition			
A point in time	5,053	—	5,053
Over time	—	59,108	59,108
Total	5,053	59,108	64,161

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Segment revenue *HK$'000*
Trading of commodities	5,053
Shipbuilding, ship repairing and manufacturing of steel structure	59,108
Revenue from contracts with customers	64,161
Others	722
Total revenue	64,883

(ii) Operating Segment

Information reported to the Board, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segment under HKFRS 8 Operating Segments is as follows:

— Trading of commodities
— Shipbuilding, ship repairing and manufacturing of steel structure

For the year ended 31 December 2019

	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	**123,719**	**131,005**	**—**	**254,724**
Segment results	**11**	**26,631**	**—**	**26,642**

For the 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

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

3. OTHER INCOME

	2019 *HK$'000*	2018 *HK$'000*
Lease	**8,431**	—
Rental income	**—**	2,696
Bank interest income	**1,287**	1,096
Scrap income	**8,096**	—
Dividend income	**—**	6,630
Government subsidy *(Note)*	**—**	2,180
Sundry income	**107**	445
	17,921	13,047

Note: As at 31 December 2018, there were no unfulfilled conditions or other contingencies attaching to the subsidies that had been recognised by the Group.

4. OTHER GAINS AND LOSSES

	2019 *HK$'000*	2018 *HK$'000*
Loss on fair value change of investment properties	**(26,077)**	—
Impairment loss on interest in associates	**—**	(32,412)
Impairment loss on goodwill	**—**	(138,595)
Impairment loss on property, plant and equipment	**—**	(1,512,799)
Impairment loss on prepaid lease payments	**—**	(48,489)
Gain on early termination of a lease	**367**	—
Loss on disposal of property, plant and equipment	**(595)**	—
Gain on disposal of equity investments at FVTOCI	**10**	—
Exchange difference	**(139)**	(39,067)
	(26,434)	(1,771,362)

5. FINANCE COSTS

	2019 *HK$'000*	2018 *HK$'000*
Interest on:		
Bank and other loans	**50,113**	47,361
Loans from the ultimate holding company	**119,133**	149,661
Titan preferred shares *(Note 11)*	**14,608**	14,608
Lease liabilities	**546**	—
Interest on other payables	**18,978**	—
Imputed interest on convertible bond	**—**	1,993
	203,378	213,623

6. PROFIT (LOSS) FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
Employee benefits expenses (excluding Directors' remuneration):		
Wages and salaries	**19,838**	27,573
Pension scheme contributions	**372**	376
	20,210	27,949
Depreciation of property, plant and equipment	**36,902**	83,200
Depreciation of right-of-use assets	**4,904**	—
Amortisation of prepaid lease payments	**—**	2,871
Minimum lease payments under operating leases	**—**	5,461
Auditors' remuneration	**1,000**	980

7. INCOME TAX CREDIT

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Current tax:		
The PRC Enterprise Income Tax	**—**	(40)
Deferred taxation		
Current year	**6,519**	20,637
	6,519	20,597

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for taxation in Hong Kong has been made as the group entities did not generate any assessable profits arising in Hong Kong for the years ended 31 December 2019 and 2018.

Under the Law of 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% for the years ended 31 December 2019 and 2018.

8. EARNINGS (LOSS) PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Profit (loss) for the year attributable to owners of the Company for the purpose of basic earnings (loss) per share	**1,647,286**	(2,349,273)
Effect of dilutive potential ordinary shares: Dividends on Titan preferred shares *(note)*	**14,608**	—
Profit (loss) for the year attributable to owners of the Company for the purpose of diluted earnings (loss) per share	**1,661,894**	(2,349,273)

Number of shares	**2019**	2018
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**4,920,560**	4,920,560
Effect of dilutive potential ordinary shares: Titan preferred shares *(note)*	**69,375**	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**4,989,935**	4,920,560

Note: The computation of diluted loss per share for the year ended 31 December 2018 does not assume the conversion of the Company's outstanding convertible preferred shares since their assumed exercise would result in a decrease in loss per share.

9. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Contracts with customers	**191,251**	298,235
Less: Allowance for credit losses	**(163,578)**	(257,865)
	27,673	40,370

As at 1 January 2018, trade receivables from contracts with customers amounted to approximately HK$309,714,000.

Certain customers are granted credit period from 30 days to 120 days. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date, which approximates the respective revenue recognition dates:

	2019	2018
	HK$'000	*HK$'000*
0–90 days	**26,046**	38,058
91–180 days	**943**	306
181–365 days	**684**	1,535
Over one year	**—**	471
	27,673	40,370

10. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date:

	2019	2018
	HK$'000	*HK$'000*
0–90 days	**28,695**	110,303
91–180 days	**354**	1,885
181–365 days	**1,371**	4,225
Over one year	**59,567**	56,569
	89,987	172,982

11. CONVERTIBLE PREFERRED SHARES

	Liability portion *HK$'000*
Titan preferred shares	
At 1 January 2018	394,116
Add: Dividends on Titan preferred shares	14,608
At 31 December 2018 and 1 January 2019	408,724
Add: Dividends on Titan preferred shares	14,608
At 31 December 2019	**423,332**

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. Upon effective of the share consolidation on 5 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. The adjusted number of convertible preferred shares after the share consolidation was 69,375,000 at the date of the announcement.

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 (adjusted number of convertible preferred share: 69,375,000) 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 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 on 28 May 2015, 30 July 2015, 16 October 2015, 5 May 2016 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.

The convertible preferred shares became redeemable in accordance with the terms thereof on 15 July 2019.

12. SHARE CAPITAL

	2019		2018	
	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	**10,000,000,000**	**800,000**	10,000,000,000	800,000
Convertible preferred shares of HK$0.08 each *(note b)*	**69,375,000**	**5,550**	69,375,000	5,550
Issued and fully paid:				
Ordinary shares of HK$0.08 each	**4,920,560,060**	**393,645**	4,920,560,060	393,645
Convertible preferred shares of HK$0.08 each	**69,375,000**	**5,550**	69,375,000	5,550

Notes:

a) All ordinary share rank pari passu in all respects.

b) The convertible preferred shares became redeemable in accordance with the terms thereof on 15 July 2019.

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

14. PRIOR YEAR ADJUSTMENT

During the course of preparation of the consolidated financial statements of the Group for the financial year ended 31 December 2019, a subsidiary of the Company discovered an error in calculating deferred tax liabilities. The error resulted in an understatement of income tax credit recognised for the year ended 31 December 2018 and corresponding overstatement of deferred tax liabilities as at 31 December 2018.

The error has been corrected by restating each of the affected financial statement line items for the prior period as follows:

Impact on the consolidated statement of financial position

At 31 December 2018

	31 December 2018 (As previous reported)	Adjustments	31 December 2018 (As restated)
	HK$'000	*HK$'000*	*HK$'000*
Non-current liabilities			
Deferred tax liabilities	120,319	(18,541)	101,778
Capital and Reserves			
Reserves	(2,650,475)	18,541	(2,631,934)

Impact on the consolidated statement of profit and loss and other comprehensive income

For the year ended 31 December 2018

	2018 (As previous reported)	Adjustments	2018 (As restated)
	HK$'000	*HK$'000*	*HK$'000*
Income tax credit	1,281	19,316	20,597
Loss for the year	(2,370,486)	19,316	(2,351,170)
Exchange differences arising on translation of foreign operations	95,948	(775)	95,173
Other comprehensive expense for the year, net of income tax	(93,106)	(775)	(93,881)
Total comprehensive expense for the year	(2,463,592)	18,541	(2,445,051)

Basic and diluted loss per share for the prior year have also been restated. The amount of the correction for basic and diluted loss per share was decreased by HK0.4 cent and HK0.4 cent per share respectively.

The correction of error does not affected the consolidated statement of financial position as at 1 January 2018.

15. LITIGATION AND CONTINGENT LIABILITIES

Proceeding in BVI and other Proceedings

For details, please refer to a) British Virgin Islands ("**BVI**") and other Proceedings under litigation on page 35 in the result announcement.

Proceeding in the PRC

For details, please refer to b) PRC Proceeding under litigation on page 37 in the result announcement.

Proceeding in Hong Kong

For details, please refer to c) Hong Kong Proceeding under litigation on page 38 in the result announcement.

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since the Unaudited Annual Results was neither audited nor agreed with the Auditor as at the date of their publication and subsequent adjustments have been made to such information, Shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the Unaudited and Audited Annual Results. Set forth below are principal details and reasons for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

	Year ended 31 December 2019		
	Audited	**Unaudited**	**Difference**
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of profit or loss			
Cost of sales	(228,082)	(209,366)	(18,716)
Other gains and losses	(26,434)	1,973,296	(1,999,730)
Gain on deconsolidation of a subsidiary	1,766,417	–	1,766,417
Gain on disposal of subsidiaries, net	129,054	–	129,054
Profit before tax	1,640,368	1,752,641	(112,273)
Profit for the year	1,646,887	1,758,913	(112,026)
Consolidated statement of profit or loss and other comprehensive income			
Exchange difference arising on translation of foreign operations	42,954	(11,195)	54,149
Release of exchange reserve upon deconsolidation of a subsidiary	(308,205)	(374,076)	65,871
Consolidated statement of financial position			
Current liabilities			
Other payable and accruals	333,097	495,086	(161,989)
Bank and other loans	284,381	152,487	131,894

These differences are mainly due to:

— the reclassification of some figures in cost of sales, other gains and losses, gain on deconsolidation of a subsidiary, gain on disposal of subsidiaries, net, other payable and accruals and bank and other loans;

— the adjustments to the exchange difference arising on translation of foreign operations and release of exchange reserve upon deconsolidation of a subsidiary; and

— the adjustments to gain on deconsolidation of a subsidiary and gain on disposal of subsidiaries, net.

Save as disclosed in this announcement and the corresponding adjustments related to the above differences, there is no material change in other information contained in the Unaudited Results Announcement.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report of the Group's consolidated financial statements for the year ended 31 December 2019 which has included a disclaimer of opinion.

BASIS FOR DISCLAIMER OF OPINION

1. **Limitation of scope on prior year's scope limitation affecting opening balances, comparative figures and related disclosures**

   The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed a disclaimer opinion (the "**2018 report**") on those consolidated financial statements on 29 March 2019 due to the scope limitations (the "**Scope Limitation**") including (i) impairment assessment of property, plant and equipment and prepaid lease payments; (ii) fair value of equity investments classified as fair value through other comprehensive income ("**FVTOCI**"); and (iii) interest in an associate.

   Any adjustments found to be necessary to the opening balances as at 1 January 2019 may affect the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2019. The comparative figures for the year ended 31 December 2018 shown in these consolidated financial statements may not comparable with the figures for the current year.

2. **Limitation of scope on gain on deconsolidation of 泉州船舶工業有限公司 (Titan Quanzhou Shipyard Co., Ltd*) ("TQS")**

   As stated in Note 49 to the consolidated financial statements, on 9 December 2019 the Company has been informed by the 惠安縣人民法院 (People's Court of Hui'an County, Fujian Province of the PRC*) (the "**Court**") that the Court has made a decision to accept the application for the winding up of TQS. On 10 December 2019, the Court has ordered to set up 清算組 (Liquidation Group*) in relation to the winding up of TQS ("**Deconsolidation Date**"). Consequently, the Group had deconsolidated TQS as the directors of the Company (the "**Directors**") considered that the Group's control over TQS had been lost at the Deconsolidation Date. The Group recognised a gain on deconsolidation of TQS of approximately HK$1,766,417,000 during the year ended 31 December 2019.

* *For identification purpose only*

The books and records of TQS were kept and maintained by the Liquidation Group of TQS, which were not made available to the Group's management subsequent to the Deconsolidation Date. Under the circumstances as explained above, we were not able to carry out procedures which we considered necessary on the books and records of TQS, to satisfy ourselves as to the existence, ownership, completeness, accuracy, valuation and classification of its total assets of approximately HK$1,137,808,000 and total liabilities of approximately HK$3,579,879,000 and the cumulative exchange reserve of approximately HK$308,205,000 as at the Deconsolidation Date and of its loss of approximately HK$160,960,000 for the period from 1 January 2019 to the Deconsolidation Date. Consequently, we were unable to satisfy ourselves as to whether the gain on deconsolidation of approximately HK$1,766,417,000 arising thereon was fairly stated.

Any adjustments found to be necessary to the above amounts would affect the amounts recorded in the consolidated statement of profit or loss in respect of TQS, with a corresponding effect on the gain on deconsolidation of a subsidiary, and the related disclosure thereof in the consolidated financial statements.

3. Limitation of scope on gain on disposal of equity investments classified as FVTOCI and loss on disposal of a subsidiary

As stated in Note 27 to the consolidated financial statements, the Group's equity investments in two private companies which were classified as equity investments at FVTOCI have been disposed of to an independent third party or through disposal of a subsidiary to an independent third party as stated in Note 50, respectively. However, during the course of our audit, we have not been provided with sufficient appropriate audit evidence on these two investments at the respective disposal date, and accordingly we were unable to perform any audit procedure we consider as necessary to obtain reasonable assurance to ascertain the fair value of the equity investments at FVTOCI as at the respective date of disposal. Consequently, we were unable to satisfy ourselves as to whether the gain on disposal of equity investment classified as FVTOCI and the loss on disposal of relevant subsidiary of HK$10,000 and approximately HK$3,368,000, respectively arising thereon were fairly stated.

Any adjustments found to be necessary to the above amounts would affect the amounts recorded in the consolidated statement of profit or loss in respect of the equity investment at FVTOCI, with a corresponding effect on the gain on disposal of equity investments at FVTOCI and the loss on disposal of relevant subsidiary, and the related disclosure thereof in the consolidated financial statements.

4. Limitation of scope on share of loss of associates and gain on disposal of subsidiaries

As stated in Note 26 to the consolidated financial statements, the Group has equity accounted for its interests in associates. As at 31 December 2019, the aggregated carrying amounts of the interests in associates was approximately HK$480,000, and the Group's share of loss of the associates for the year ended 31 December 2019 was approximately HK$471,000. In addition, certain associates were disposed of through the disposal of subsidiaries to independent third parties as stated in Note 50. The gain on disposal of subsidiaries were approximately HK$129,054,000 for the year ended 31 December 2019. However, during the course of our audit, we have not been provided with sufficient appropriate audit evidence by the management of the Company that we considered necessary in order to enable us to satisfy ourselves the carrying amount of the interests in the disposed associates as at the date of the disposal which is included in the calculations of the gain on disposal of relevant subsidiaries and as to whether the Group's share of result of the associates and gain on disposal of relevant subsidiaries during the year ended 31 December 2019 are fairly stated. There were no other satisfactory audit procedures that we could adopt to obtain sufficient appropriate audit evidence in this regard.

Any adjustments found to be necessary to the above amounts would affect the amounts recorded in the consolidated statement of profit or loss in respect of the interests in associates, with a corresponding effect on the loss on disposal of relevant subsidiary, and the related disclosure thereof in the consolidated financial statements.

5. Limitation of scope on other payables under legal proceedings

As stated in Notes 33 and 36 to the consolidated financial statements, the convertible bonds issued by the Company to Sino Charm International Limited ("**Sino Charm**") on 28 April 2017 (the "**Convertible Bonds**") which was matured on 28 April 2018 and the alleged indebtedness under the subscription agreement entered with Sino Charm (the "**Subscription Agreement**") was then reclassified as other payables. During the year ended 31 December 2019, the Group recognised an interest on other payable of approximately HK$18,978,000 and as at 31 December 2019, included in other payables and accruals, the amount of approximately HK$78,000,000 and approximately HK$25,196,000 representing the principal and interest payables, respectively under the Subscription Agreement.

According to the announcement dated 28 April 2020, the Company has been carrying out an internal forensic accounting review ("**Review**") about the alleged indebtedness under the Subscription Agreement. From the Review, the Directors are of the opinion that the Subscription Agreement is null and void, or has been rescinded or is liable to be set aside and the Company does not owe Sino Charm any of the alleged indebtedness. Details of the findings on the Review has been stated in Note 36 to the consolidation financial statements.

Due to the ongoing legal proceedings concerning the Convertible Bonds, we were unable to satisfy ourselves as to whether the interest on other payable recognised during the year ended 31 December 2019 of approximately HK$18,978,000 arising thereon, and the carrying amount principal and interest payable under the Subscription Agreement included in the other payables of the Group as at 31 December 2019 were fairly stated. Any adjustments found to be necessary to the above amounts would affect the amounts recorded in the consolidated statement of profit or loss in respect of the interest on other payables, the carrying amount of the principal and interest payable in related to the Convertible Bonds and the related disclosure thereof in the consolidated financial statements.

6. Multiple fundamental uncertainties relating to going concern

As described in Note 2 to the consolidated financial statements, although the Group reported a net profit attributable to the owners of the Company of approximately HK$1,647,286,000 for the year ended 31 December 2019, it mainly arose from one-off gain on deconsolidation of a subsidiary and gain on disposal of subsidiaries, net of approximately HK$1,766,417,000 and HK$129,054,000, respectively. In addition, the Group's current liabilities exceeded its current assets by approximately HK$1,050,673,000 and the Group had net liabilities of approximately HK$852,321,000 as at 31 December 2019. As at the same date, the Group's total current bank and other loans and interest payable of bank and other loans amounted to approximately HK$284,381,000 and approximately HK$7,189,000, respectively, while its cash and cash equivalents amounted to approximately HK$3,456,000 only.

These conditions, together with other matters as described in Note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have been undertaking a number of measures to improve the Group's liquidity and financial position as described in Note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, we were unable to ascertain whether the assumptions made by the Directors in preparing the consolidated financial statements on a going concern basis are proper and appropriate.

Should the going concern assumption be inappropriate, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities respectively, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments. However, the uncertainty surrounding the Group's future cash flows raises significant doubt about the Group's ability to continue as a going concern. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation, but we are unable to obtain adequate evidence concerning the Group's ability to meet any financial obligations as and when they fall due and we consider that this material uncertainty relating to going concern basis.

We consider the cumulative effect of the above matters on the consolidated financial statements is so extreme that we have disclaimed our opinion.

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 2019 ("**the Year**"), the consolidated revenue of the Group was approximately HK$254,724,000 while the audited consolidated revenue of the Group was approximately HK$64,883,000 for the year ended 31 December 2018.

During the Year, the Group's trading of commodities recorded revenue of approximately HK$123,719,000 (2018: HK$5,053,000). Revenue of approximately HK$131,005,000 was generated from shipbuilding, ship repairing and manufacturing of steel structure during the Year (2018: HK$59,108,000).

During the Year, the Group recorded other income of approximately HK$17,921,000 while the other income was around HK$13,047,000 for the year of 2018. The other income for the Year was mainly due to approximately HK$8,096,000 of income from sales of scrap from the third party.

During the Year, the Group's administrative expenses decreased from approximately HK$139,413,000 for the year of 2018 to approximately HK$66,148,000 for the Year, including mainly the depreciation and amortisation in shipyard factories, staff remuneration and related expenses, the legal and professional fees and also rental expenses.

Finance cost for the Year was approximately HK$203,378,000 (2018: HK$213,623,000), representing mainly the interest from bank and other loans of approximately HK$50,113,000 (2018: HK$47,361,000) and loan interest from ultimate holding company approximately to HK$119,133,000 (2018: HK$149,661,000).

During the Year, the Group recorded profit attributable to the owners of the Company of approximately HK$1,647,286,000, compared to the loss approximately HK$2,349,273,000 attributable to the owners of the Company for the year of 2018. The reason for the profit of the Year was mainly due to (i) the gain on disposal of subsidiaries of approximately HK$129,054,000; and (ii) the gain on deconsolidation of a subsidiary of approximately HK$1,766,417,000.

The basic profit per share was approximately HK33.48 cents for the Year and the basic loss per share was approximately HK47.74 cents for the year of 2018.

As at 31 December 2019, the cash and cash equivalents of the Group amounted to approximately HK$3,456,000, representing a decrease of approximately HK$7,849,000 as compared with the cash and cash equivalents of approximately HK$11,305,000 as at 31 December 2018. The decrease was mainly resulted from the operating of the shipyard and the increase in legal and professional fees during the year.

Liquidity and Financial Resources

As at 31 December 2019, the Group's net liabilities amounted to approximately HK$852.2 million, compared to net liabilities of HK$2,225.2 million as at 31 December 2018.

The Group financed its operations mainly through the loans from the banks and other independent third parties in Hong Kong and Mainland China. As at 31 December 2019,

a) The Group had:

- Cash and bank balances of HK$3,456,000 (31 December 2018: HK$11.3 million). The balances were comprised of:

  — an equivalent of HK$168,000 (31 December 2018: HK$7.4 million) denominated in US dollars ("**USD**");

  — an equivalent of HK$1,000 (31 December 2018: HK$Nil) denominated in Singapore dollars ("**SGD**");

  — an equivalent of HK$3,204,000 (31 December 2018: HK$1.8 million) denominated in Renminbi ("**RMB**"); and

  — HK$83,000 (31 December 2018: HK$2.1 million) in HKD.

- Bank and other loans of HK$284.4 million (31 December 2018: HK$552.2 million). The Group's bank and other loans having maturities within one year amounted to HK$284.4 million (31 December 2018: HK$314.5 million); and

- Loans from the ultimate holding company of HK$Nil million (31 December 2018: HK$2,097.8 million), of which HK$Nil million (31 December 2018: HK$1,477.7 million) having maturities over one year.

b) The Group had:

- Current assets of HK$93.4 million (31 December 2018: HK$129.7 million) and total assets of HK$331.7 million (31 December 2018: HK$1,565.9 million);

- Bank and other loans of HK$284.4 million (31 December 2018: HK$552.2 million);

- The Titan preferred shares issued by the Company with a liability portion of HK$423.3 million (31 December 2018: HK$408.7 million); and

- Loans from the ultimate holding company of HK$Nil million (31 December 2018: HK$2,097.8 million).

Gearing

The Group's current ratio was 0.08 (31 December 2018: 0.07). The gearing of the Group, calculated as the total bank and other loans and loans from the ultimate holding company to total assets decreased to 0.86 (31 December 2018: 1.46).

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 year was approximately HK$254,724,000, which was mainly attributable to the income from the shipbuilding, ship-repairing and manufacturing of steel structure and also the trading of commodities business. For the year of 2018, most of the revenue of the Group was also from the shipbuilding, ship-repairing and manufacturing of steel structure.

The Group recorded a profit attributable to owners of the Company of approximately HK$1,647,286,000 for the year, as compared to the loss attributable to owners of the Company of approximately HK$2,349,273,000 for the year of 2018. The profit attributable to owners of the Company during the year was mainly due to (1) an exceptional gain on deconsolidation of a subsidiary of approximately HK$1,766,417,000 for the year; and (2) an exceptional gain on disposal of subsidiaries of approximately HK$129,054,000.

Trading of Commodities

The Group had set up a wholly-owned subsidiary with principal activity of petrochemical and other related products oil trading in October 2018.

During the Year of 2019, 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$123,719,000 which the revenue recorded from the trading of commodities was approximately HK$5,053,000 during the year of 2018.

The management from time to time reviews the global market trend of bulk commodities business and will deploy internal resources whenever this sector of business is fruitful to the Group. The Group would continue to look for new trading business in the year 2020.

Shipbuilding, Ship-Repairing and Manufacturing of Steel Structure

The market conditions in the marine related service industry remain challenging and sluggish due to global commodity prices being sustained at low levels. The Company will review and optimise the business portfolio of the Group 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 江蘇宏強船舶重工有限公司 ("**OPCO**") which is operating a large shipyard in Qidong City, Jiangsu Province. The city is only 68 Kilometers away from Shanghai Pudong. Qidong 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.

In order to transform and upgrade business rapidly, to meet the needs of the domestic market, to create a professional brand of steel structure manufacturing and expand such business field, the Group will fully utilize the existing advantages on the resources and geographical location of Jiangsu Hongqiang. In the second half year of 2018, the Group established an indirect wholly-owned subsidiary, 江蘇炯強海洋裝備有限公司 ("**Jiangsu Jiongqiang**"), Jiangsu Jiongqiang is principally engaged in the manufacturing of steel structure of large bridge. While OPCO will continue focusing on the business brand and specialize in the development and production of various types of carrier and vessels.

In the beginning of year 2019, OPCO successfully built and sold one bulk carrier with carrying capacity of over 40,000 Dead Weight Tonnage ("**DWT**"), the selling price of which was USD 22 million. A bulk carrier with carrying capacity of around 60,000 DWT was launched in December 2019 and two stainless steel ships were launched in January 2020.

At present, OPCO and Jiangsu Jiongqiang are well managed. As at the date of this announcement, its effective contracts are as follow: (1) processing imported material for two bulk carriers with carrying capacity of around 60,000 DWT; (2) processing imported material for four stainless steel ships; (3) seven projects on steel structure business; and (4) other business including quay rental service. In the foreseeable future, the management expected that the effective contracts would be as follows: (1) the processing of imported material for a bulk carrier; and (2) three projects on steel structure business. It is expected that OPCO and Jiangsu Jiongqiang could run business smoothly with the current contracts for at least two years.

Quanzhou land

The Group obtained the construction planning permit in April 2019 and construction commencement permit in June 2019 from the government of the PRC which allowed the Group to kick off the construction in Quanzhou in Fujian Province, in PRC. The Group looked for and screened the contractors through the bidding process; process of the construction was commenced orderly and smoothly during the year. As expected in the interim report of 2019 of the Group, the property investment business operated successfully in the future, which hopefully will strengthen the Group's cash flows and working capital and the Group would closely monitor and review this new sector of the business from time to time.

Outlook

In 2020, the Company will continue to seek breakthroughs in the above industries. In December 2019 and the beginning of 2020, one bulk carrier and two stainless steel chemical vessels were launched and will be delivered in the first half of 2020. Moreover, the Company will also actively make use of its extensive experience and deploy resources in the commodity trade industry. In 2019, the Group had recorded revenue of its trading business with over RMB100 million. Based on good business relationship and corporation with customers, the Group will try to negotiate with customers about trading contract with larger volume, in order to expand the trading business. To achieve the above targets, the Board will seek for various financial means to enrich the equity capital of the Group in order to build solid foundation for the sustainability and improvement in profitability of its principal business.

Looking forward, the Group will grasp new potential business opportunities in the challenging environment, with the expertise and strategic leadership under the management, so that the Group will aim at new profit growth point for its business, so as to maximize the returns to all the shareholders and investors.

OPCO and Jiangsu Jiongqiang currently has contracts for processing imported material for two bulk carriers, four stainless steel chemical vessels and six steel structure manufacturing projects with contract sum of approximately RMB180 million. The Group expects that the revenue from shipbuilding and manufacturing of steel structure would be over RMB40 million and RMB60 million respectively in 2020. In Mar 2020, Jiangsu Jiongqiang entered into a strategic cooperation partner agreement (the "**Strategic Cooperation Agreement**") with 中交二航局結構工程有限公司 ("**CSSEC**"). According to the Strategic Cooperation Agreement, the two parties will jointly develop the steel structure market in the middle and lower reaches of the Yangtze River. Jiangsu Jiongqiang will be very competitive in having suitable steel structure projects in the middle and lower reaches of the Yangtze River. The Group will put more resources on manufacturing of steel structure in order to have more business on manufacturing of steel structure and increase the revenue significantly.

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. The area of saleable service land is 75,000 square meters. According to the 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 is being commenced after communicating with the related parties.

At the end of March 2020, contract with amount of RMB21 million was signed. The project of investment properties business is expected to provide sufficient revenue to solve the on-going issue of the Group in the following years.

The Group will continue to adopt a diversified business strategy to cope with the risks of the domestic economy downturn in China, and allocate resources flexibly to seize any possible investment opportunities.

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.

Litigations and Contingent Liabilities

The detailed proceedings are disclosed on pages 35 to 38 under Litigation and Contingent Liabilities of 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.

Employees and Remuneration Policies

As at 31 December 2019, the Group had 134 employees (31 December 2018: 199), of which 131 employees (31 December 2018: 188) worked in Mainland China, all of which were from OPCO, Jiangsu and Fujian offices and 3 employees (31 December 2018: 11 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 2019 (2018: Nil).

Material Acquisitions, Disposals and Significant Investment

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

Litigation and Contingent Liabilities

a) British Virgin Islands ("BVI") and other Proceedings

(i) 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. 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 BVI Court of Appeal has been withdrawn as part of the settlement of all litigation relating to the Group pursuant to the settlement deed. The appeal is subsequently withdrawn and dismissed as of 8 July 2019.

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.

On 15 December 2019, the Company has disposed of the entire issued share capital of TOSIL to an independent third party of the Company and its connected person. Upon completion of the disposal, the Company has ceased to hold any interests in TOSIL.

(ii) The Group had received a statutory demand notice (the "**Statutory Demand**") dated 15 July 2019 from the legal adviser acting for Sino Charm International Limited ("**Sino Charm**") pursuant to section 162(a) of the Bermuda Companies Act 1981 (as amended) pursuant to which Sino Charm requires the Company to pay the amount of HK$96,571,078.77, being the principal amount of the convertible bonds issued by the Company to Sino Charm together with interest accrued thereon, within 21 days from the date of service of the Statutory Demand. Pursuant to the Statutory Demand, Sino Charm shall be entitled to apply to the Supreme Court of Bermuda for winding-up if the Company fails to pay the said sum.

It came to the Company's attention that a winding up petition (the "**Petition**") dated 20 September 2019 may have been filed by Sino Charm as petitioner against the Company with the Supreme Court of Bermuda (the "**Court**") for an order that the Company be wound up by the Court. It was subsequently clarified by Sino Charm side that the Petition has not yet been returned by the Court Registry for formal service.

After the publication of the announcement of the Company dated 25 September 2019, the Company received from the legal adviser acting for Sino Charm a copy of the Petition which was returned and dated by the Court Registry on 26 September 2019, the Petition is scheduled to be heard by the Court for 9:30 a.m. (Bermuda time) on 25 October 2019. The Company has engaged its Bermuda legal adviser to vigorously defend against the Petition.

The Petition was heard before the Court on 25 October 2019, 14 November 2019, 13 December 2019 and 21 February 2020. The Court ordered that, among others, the hearing of the Petition be adjourned to be fixed for a date after 17 April 2020 in consultation of the parties' availability with a time estimate of one day before the Honourable Chief Justice.

The Company has been seeking legal advice on the matter and there has not been material adverse impact on the Company's daily operations as a result of the Petition.

For details, please refer to the announcements of the Company dated 17 July 2019, 25 September 2019, 4 October 2019, 28 October 2019, 18 November 2019, 16 December 2019 and 6 March 2019.

After reviewing the available information and consulting relevant legal advice, the management is contesting the Petition on the basis that there is (at the very least) a bona fide dispute as to whether the Company is liable under the HK$78 million convertible bonds and the Company has questions as to the source of funding for the subscription of the HK$78 million convertible bonds.

The Company has sought legal advice and commenced legal action to, amongst other things, obtain a declaration that the said convertible bonds are void as well as to seek damages against the prior management and certain relevant parties. Subject to further investigation and legal advice, the Company may commence further actions against relevant parties.

For the avoidance of doubt, nothing herein shall constitute the waiver of any privilege whatsoever.

For details, please refer to the announcement of the Company dated 28 April 2020.

b) PRC Proceedings

(i) 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 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.

(ii) It has come to the Company's attention that a winding up application (the "**Application**") dated 21 November 2019 has been filed by 惠安縣惠東供水有限責任公司 (Hui'an County Huidong Water Supply Company Limited*) against TQS with the People's Court of Hui'an County, Fujian Province of the PRC (惠安縣人民法院). TQS is an indirect wholly-owned subsidiary of the Company. The relevant amount claimed under the Application is approximately RMB386,783.7.

The Company has been informed that the Hui'an Court has made a decision (the "**Decision**") dated 9 December 2019 to accept the Application for the winding up of TQS. The Hui'an Court has on 10 December 2019 ordered to set up 清算組 (Liquidation Group) in relation to the winding up of TQS.

For details, please refer to the announcements of the Company dated 27 November 2019 and 16 December 2019.

TQS has been deconsolidated from the Group as a result of the winding up of TQS. The Southern China Petrochemical Exchange Centre ceased to be a subsidiary of the Company since December 2019.

c) Hong Kong Proceedings

In 2019, the Company commenced proceedings against some prior management of Company in the Court of First Instance in Hong Kong under the case number HCA1930/2019. For more details, please refer to the announcement of the Company dated 28 April 2020.

Save for legal actions taken against the prior management and certain relevant parties, there was no Hong Kong proceeding as at 31 December 2019.

Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: HK$Nil).

SUBSEQUENT EVENTS

(i) On 18 February 2020, the Company entered into the conditional Placing Agreement with Sino Capital Securities Limited ("**Sino Capital**"), pursuant to which Sino Capital has agreed to act as placing agent of the Company, on a best effort basis, for the purpose of arranging Placees for the two-year 5% coupon unlisted convertible bonds (the "**Convertible Bonds**") in principal amount of up to HK$10,000,000 to be issued by the Company in accordance with the terms of the Placing.

Completion of the Placing has taken place on 13 March 2020 and the Convertible Bonds in the principal amount of HK$4,000,000 have been issued to Mr. Yung Chi Man as the Placee in accordance with the terms and conditions of the Placing Agreement.

For details, please refer to the announcements of the Company dated 18 February 2020, 10 March 2020 and 13 March 2020.

(ii) On 18 February 2020, the Company entered into the conditional Placing Agreement with Merdeka Securities Limited ("**Merdeka**"), pursuant to which Merdeka has agreed to act as placing agent of the Company, on a best effort basis, for the purpose of arranging Placees for the Convertible Bonds in principal amount of up to HK$10,000,000 to be issued by the Company in accordance with the terms of the Placing.

Completion of the Placing has taken place on 23 March 2020 and the Convertible Bonds in the principal amount of HK$4,000,000 have been issued to Prime Wealth Capital Limited as the Placee in accordance with the terms and conditions of the Placing Agreement.

For details, please refer to the announcements of the Company dated 18 February 2020, 18 March 2020 and 23 March 2020.

(iii) After the outbreak of COVID-19 in January 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. In adherence to the guidelines of the China Government and to protect our employees from infection, the Group has temporarily suspended the manufacturing operations of the Group since Chinese New Year holidays. In early March 2020, the Group gradually resumed its manufacturing operations and implemented precautionary as well as control measures in all projects to fight against this disease and safeguard its employees and business operations. Depending on the future development of the outbreak, the Board expects that the production capacity of the factory will resume its full scale and normal operation upon the lifting of relevant epidemic prevention measures. The Group will pay close attention to the development of this disease and evaluate its impact on the financial position and operating results of the Group.

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

During the year ended 31 December 2019 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 Listing Rules on Stock Exchange for the year under review, except for certain deviations which are summarised below:

In accordance to the code 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.

Mr. Chen Bingyan ("**Mr. Chen**") and Mr. Lai Wing Lun ("**Mr. Lai**") had been appointed as Co-chairmen of the Board of the Company with effect from 21 November 2018. On 31 May 2019, the Board resolved that the Board should be changed from a Co-chairmen system to a single chairman system. Mr. Lai had been re-elected as the Chairman of the Board and Mr. Chen had ceased to be Co-chairman of the Board but remained as an executive Director of the Company with effect from 31 May 2019. He was removed on 27 June 2019.

The Company has no chief executive as at the date of this announcement and will arrange for the appointment of chief executive of the Company in due course in order to fill the vacancy arising from the resignation of Mr. Tang Chao Zhang ("**Mr. Tang**") on 29 October 2018.

In accordance to the code provision A.6.7 of the CG Code, independent non-executive Directors ("**INEDs**") and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Cheung Hok Fung Alexander, the independent non-executive Director, was unable to attend the special general meeting of the Company on 27 June 2019 as he had other engagements.

During the year under review, neither the two former co-chairman of the Board nor the existing chairman of the Board had a meeting with INEDs without the presence of other executive Directors in accordance with the code provision of A.2.7 of the CG Code.

In accordance to the code provision A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors.

The Company has no appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company in force as at the date of this announcement. The Company will arrange for appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company as soon as practicable.

CHANGES OF DIRECTORS AND CHIEF EXECUTIVES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of Directors and chief executives of the Company are as follows:

- At the annual general meeting of the Company held on 31 May 2019 (the "**AGM**"), the proposed resolution relating to the re-election of Dr. Liu Liming as an executive Director was not passed at the AGM. Accordingly, Dr. Liu Liming had retired as an executive Director with effect from the conclusion of the AGM.

- Ms. Meng Ke Xin had been appointed as the non-executive Director with effect from the conclusion of the AGM.

- Mr. Chen Bingyan had been removed as the executive Director and Mr. Teng Yue had been removed as the independent non-executive Director with effect from the conclusion of the special general meeting of the Company held on 27 June 2019.

Save as disclosed above, the Directors are not aware of any other change of Directors and chief executives of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the date of this announcement.

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 2019.

REVIEW OF AUDITED ANNUAL 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 2019 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.

SCOPE OF WORK OF ASIAN ALLIANCE (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditor, Asian Alliance (HK) CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Asian Alliance (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Asian Alliance (HK) CPA Limited on this announcement.

PUBLICATION OF AUDITED ANNUAL RESULTS AND ANNUAL REPORT

This audited 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 2019 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, and in any event, not later than 15 May 2020.

By order of the Board
Titan Petrochemicals Group Limited
Zhang Qiandong
Executive Director

Hong Kong, 8 May 2020

As at the date of this announcement, the executive Director is Mr. Zhang Qiandong; the non-executive Directors are Mr. Lai Wing Lun (Chairman) and Mr. Osman Mohammed Arab and Ms. Meng Ke Xin; and the independent non-executive Directors are Mr. Lau Fai Lawrence, Mr. Sun Feng and Mr. Cheung Hok Fung Alexander.

* *For identification purpose only*