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## **Titan Petrochemicals Group Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1192)**

### **MAJOR TRANSACTION DISPOSAL OF EQUITY INTEREST IN A PRC SUBSIDIARY**

The Vendor entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Equity Interests for a cash consideration of RMB1. Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

As the relevant percentage ratio(s) exceed 25% but below 75%, the Disposal and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

#### **THE DISPOSAL**

The Vendor entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Equity Interests. Set out below are the major terms of the Sale and Purchase Agreement.

## **Sale and Purchase Agreement**

**Date:** 31 December 2020 (executed on 4 January 2021 after trading hours)

**Parties:** (1) Vendor : 舟山甬泰船務有限公司 (Zhoushan Yongtai Shipping Co., Ltd.)\*

(2) Purchaser : 福建金鉗投資有限公司 (Fujian Jinqian Investments Co., Ltd)\*

The Vendor is a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company. The Vendor holds 100% registered and paid up capital of the Target Company.

The Purchaser is a company established in the PRC and is principally engaged in the business of real estate development. The ultimate beneficial owners of the Purchaser are 陳成龍 (Chen ChengLong\*) and 陳玲清 (Chen LingQing\*) respectively. The Purchaser and its ultimate beneficial owners are Independent Third Parties. The Purchaser and its ultimate beneficial owners are not Shareholders of the Company. The Purchaser and its ultimate beneficial owners are not related to or connected with or otherwise acting or presumed to be acting in concert with Green Shield Investments Limited (formerly known as Mark Gain Limited), the potential purchaser for the Shares from Fame Dragon International Investment Limited (in compulsory liquidation) and its related companies as disclosed in the announcement of the Company dated 30 June 2020. The Purchaser and its ultimate beneficial shareholders are independent of and unrelated to any Shareholders of the Company and their concert parties.

The Purchaser was identified by the Company through the supervisor of the Target Company. Chen ChengLong, being one of the ultimate beneficial owners of the Purchaser, is a personal friend of the supervisor of the Target Company. Since the Purchaser is also engaged in real estate development, the Purchaser understands that the Target Company holds the Land (as defined below). Through introduction by 吳有鳴 (Wu YouMing\*), the supervisor of the Target Company, the Group commenced negotiations with the Purchaser leading to the Disposal.

### **Assets to be disposed**

Before Completion, the Target Company has a registered and paid up capital of RMB243,300,000 which is owned as to 100% by the Vendor.

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to dispose of and the Purchaser has agreed to acquire the Equity Interests, representing 100% equity interest in the Target Company.

## Consideration

The consideration for the Disposal is RMB1. The Purchaser shall bear the external debts and accounts payable of the Target Company subject to the maximum sum of not exceeding RMB160,000,000. The Vendor shall be responsible for such external debts and accounts payable exceeding the threshold. Based on the unaudited management accounts of the Target Company as at 30 September 2020, the external debts and accounts payable of the Target Company amount to approximately RMB156,922,000, which was due on or before 30 September 2020. The actual amount of the external debts and accounts payable of the Target Company shall be subject to audit and review. It is expected that the latest external debts and accounts payable of the Target Company would have no material changes in comparison with the figures as shown in the unaudited management accounts of the Target Company as at 30 September 2020.

Before Completion, the Vendor shall ensure that the Target Company shall not have any external actual or contingent liabilities and the bank pledge over the Land shall be released. It is contemplated that the Purchaser will arrange the settlement of Bank Loan (as defined below) shortly after approval by the Shareholders in relation to the Disposal and the bank pledge over the Land will be released before Completion.

The consideration for the Disposal was determined with reference to the financial position of the Target Company and the net liabilities recorded by the Target Company as at 30 September 2020, and was arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement. The Directors (including the independent non-executive Directors) consider the terms of the Disposal (including but not limited to the consideration) to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

All taxes payable in relation to the Disposal shall be borne by the Vendor. It is contemplated that there would be no taxes payable in relation to the Disposal. On or before 15 January 2021, the Purchaser shall deposit RMB1,000,000 into the designated bank account as earnest monies (the "**Earnest Monies**"), which shall be utilised toward the settlement of the external debts and accounts payables of the Target Company.

## Conditions precedent

The Disposal shall be subject to the following conditions precedent that

- (1) completion of the due diligence review by the Purchaser on the Target Company and no material circumstances being identified which would affect the transactions contemplated under the Disposal;
- (2) execution of relevant transfer documents (in such form and substance to the satisfaction of the parties to the Sale and Purchase Agreement);
- (3) the passing of relevant shareholders' and board resolutions of the Vendor and the Purchaser respectively; and
- (4) compliance with relevant regulatory requirements under the Listing Rules and other applicable laws and regulations and the Shareholders' approval at the SGM having been obtained.

After fulfilment of the conditions precedent and completion of the due diligence review by the Purchaser, the parties shall execute relevant transfer documents provided that the terms and conditions of such transfer documents shall be consistent with the terms of the Sale and Purchase Agreement.

In the event that relevant Shareholders' approval cannot be obtained, the Sale and Purchase Agreement may be terminated and the Vendor shall return the Earnest Monies (without interest) to the Purchaser.

In the event that after signing of the Sale and Purchase Agreement, the Disposal cannot be completed as a result of the Vendor's own reason (save and except for condition (4) above), the Sale and Purchase Agreement may be terminated and the Vendor shall return the double of the Earnest Monies (i.e. RMB2,000,000) to the Purchaser.

## **Undertakings by the Vendor**

After signing of the Sale and Purchase Agreement, the following circumstances shall be deemed as breach of the Sale and Purchase Agreement on the part of the Vendor and the Purchaser shall have the right to terminate the Sale and Purchase Agreement and to request the Vendor to compensate all costs and expenses:

- (1) the Vendor fails to cooperate with the Purchaser on the due diligence work without valid grounds;
- (2) the Equity Interests held by the Vendor is subject to encumbrances such as pledge or freezing order;
- (3) the information provided and to be provided by the Vendor to the Purchaser (including the financial information, financial position and liabilities of the Target Company) is untrue, false or misleading;
- (4) unless otherwise agreed, the Vendor refuses to sign relevant legal documents after completion of the due diligence;
- (5) the Vendor enters into negotiations with other third parties in respect of the disposal of all or part of the Equity Interests or any of the assets of the Target Company within the exclusivity period, which shall be 180 days from the effective date of the Sale and Purchase Agreement; or
- (6) such other circumstances under applicable laws or contracts.

The Sale and Purchase Agreement shall be effective from the date of signing and sealing and the payment of the Earnest Monies by the Purchaser.

## **Completion**

Completion will take place on the date of completion of registration of the transfer of Equity Interests with the relevant PRC authority. There is no long stop date specified in the Sale and Purchase Agreement.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the Company will cease to have interests in the Target Company and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

## INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC and is principally engaged in site constructions and development. Before Completion, the Target Company has a paid up capital of RMB243,300,000, which is owned as to 100% by the Vendor.

The unaudited financial information of the Target Company for the year ended 31 December 2018 and 31 December 2019, which is prepared in accordance with the accounting principles generally accepted in Hong Kong, are shown as follows:

	<b>For the year ended 31 December 2018 <i>RMB'000</i></b>	<b>For the year ended 31 December 2019 <i>RMB'000</i></b>
Turnover	0	0
Net profit (loss) before taxation	(4,753)	(27,004)
Net profit (loss) after taxation	(4,753)	(21,254)
(Net liabilities)	(610,572)	(631,826)

As at 30 September 2020, the net liabilities of the Target Company amounted to approximately RMB665,949,000.

## REASONS FOR THE DISPOSAL

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

Based on the unaudited management accounts of the Target Company as at 30 September 2020, it is estimated that upon Completion, the Group will record a gain of approximately RMB20 million on the Disposal, which is calculated based on the unaudited net liabilities of the Target Company (excluding intra-group balances with the Group) of approximately RMB19,593,000 as at 30 September 2020. As at 30 September 2020, the intra-group indebtedness owned by the Target Company to the Group (other than the Target Company) amounts to approximately RMB646,356,000, all of which are payable to the Company and there was no accounts receivables owed by the Group (other than the Target Company) to the Target Company. The intra-group balances were accumulated since 2011 and would be waived by the Company immediately before Completion. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the Company's auditors. After deducting the expenses relating to the Disposal, it is expected that there will be no net proceeds arising from the Disposal.

The land held by the Target Company (the “**Land**”) has been pledged with the Industry Bank Co., Ltd Ningbo Branch (興業銀行股份有限公司寧波分行) (the “**Bank**”) for loan facilities of a maximum sum of RMB140,000,000 (the “**Bank Loan**”). The borrower of the bank facilities is 浙江銀賽能源科技發展有限公司 (Zhejiang Silver Race Energy Technology Development Co., Ltd\*) (“**Silver Race**”). Silver Race obtained the Bank Loan and commenced to onward advance loans to the Target Company in December 2017. The Bank is not a Shareholder of the Company and is an Independent Third Party. Save and except for the pledge of the Land, there is no other understanding/agreement/arrangement between the Target Company and the Bank. Silver Race then as lender provided loans to the Target Company in the aggregate sum of approximately RMB135,600,000, which had been utilized by the Group, mainly by a wholly owned subsidiary of the Group, 江蘇宏強船舶重工有限公司 (OPCO\*) towards the shipbuilding business. The ultimate beneficial owner of Silver Race is 馮林盛 (Feng Linsheng\*) and Silver Race and its ultimate beneficial owner are not Shareholder of the Company and do not hold any positions within the Group. Silver Race and/or its ultimate beneficial shareholder, Feng Linsheng are independent of and unrelated to (i) Guangdong Zhenrong Energy Co Limited (which is in liquidation) and their concert parties; (ii) the Purchaser and its ultimate beneficial owners; and (iii) any Shareholders of the Company and their concert parties.

It is contemplated that the Purchaser will provide funds to the Target Company of not more than RMB160,000,000, which will be utilised towards, among others, the settlement of the Bank Loan in full resulting in the release of the pledge over the Land. The funds will be returned to Silver Race, which will then immediately repay the Bank Loan. The Purchaser will closely monitor the utilization of the funds.

The Land held by the Target Company is located at Quanzhou City, Fujian Province, the PRC, with a site area of about 26,557.5 sq. m.. The value of the Land as at 30 September 2020 based on an independent valuation prepared by Prudential Surveyors (Hong Kong) Limited was approximately RMB162,560,000 and the Company will include the valuation report of the Land in the circular to be despatched to its Shareholders. It was originally contemplated that the property project would comprise three buildings and one podium. Whilst the Target Company has obtained the building construction permit (建築工程施工許可證) for the Land in June 2019 and the piling engineering works for two buildings has completed, but the outbreak of the coronavirus disease (the “COVID-19”) pandemic inevitably caused delays in the construction works and as at the date of this announcement, the construction on the Land is still in a preliminary stage. The Group shall have to invest vast money if the construction and development on the Land continues. Further, the COVID-19 pandemic increases the uncertainty in the future prospects of sales of property units and the risks that the Land being penalised by the relevant authorities as a result of aforesaid delay in the construction works, and the recurrent waves of the COVID-19 have added uncertainties to the recovery of China’s economy, the Directors believe that it would be more difficult for the Group to invest such a large amount of money to complete construction of the Land under the current financial situation of the Group. Having considered the continuing capital commitments for the development of the Land and also the uncertainty of the future prospects of sales of property units, the Board is of the view that the Disposal provides a good opportunity for the Group to realise its investment in the Target Company and focus its resources to its shipping business development.

Save as abovementioned, the Directors understand due to the limitation on the use of the Land, construction on the Land is also facing with policy risk. As completion of construction on the Land and sales are full of uncertainties, the Directors understand that, the Group would like to reallocate its resources to reinforce its current principal business (i.e. shipbuilding and steel structure manufacturing business), which was maintained steady and progressive in the first half of 2020 in the face of the long-term continued downturn in the shipping market, the overcapacity of domestic shipbuilding market and the outbreak of COVID-19.

As at the date of this announcement, the Company understands that the effective contracts of the Group in relation to shipbuilding and steel structure manufacturing business are as follows: (1) processing imported material for one bulk carriers with carrying capacity of around 60,000 Dead Weight Tonnage; (2) processing imported material for one stainless steel ship; (3) eight projects on steel structure business; and (4) other business including quay rental service. In addition, the Group has obtained eleven steel structure manufacturing projects since the entering into the strategic cooperation partner agreement with 中交二航局結構工程有限公司 on 4 March 2020 and four of them were completed as at the date of this announcement.



Hence, the Directors believe that reallocating the Group's resources to aforesaid businesses may enable the Group to enhance its overall financial performance in the future.

The Board is of the view that the Disposal provides a good opportunity for the Group to realise its investment in the Target Company and focus its resources to its business development. The Disposal is in line with the Group's strategy as resources, both financial and manpower, will be used to develop those companies of the Group with better prospects and results.

Taking into consideration of the aforesaid, the Directors (including the independent non-executive Directors) consider that the terms of the Disposal are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the relevant percentage ratio(s) exceed 25% but below 75%, the Disposal and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A SGM will be convened and held for the Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. To the best knowledge, information and belief of the Directors and having made reasonable enquiries, no Shareholder is involved in or interested in the Sale and Purchase Agreement and the transactions contemplated thereunder which requires him/her/it to abstain from voting on the proposed resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

A circular containing, among others, (1) details of the Disposal and the transactions contemplated thereunder; and (2) a notice of the SGM will be despatched to the Shareholders on or before 31 January 2021 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“associate(s)”                      has the meaning ascribed to it under the Listing Rules

“Board”                                board of the Directors

“Company”	Titan Petrochemicals Group Limited, a company incorporated in Bermuda with limited liability and the issued Shares are listed on the Main Board of the Stock Exchange (stock code: 1192)
“Completion”	completion of the Disposal in accordance with the terms of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company from time to time
“Disposal”	the disposal of the Equity Interests as contemplated under the Sale and Purchase Agreement
“Equity Interests”	100% registered capital of the Target Company
“Group”	the Company together with its subsidiaries (from time to time)
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not core connected persons of the Company and are third parties independent of the Company and its core connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement only excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	福建金鉗投資有限公司 (Fujian Jinqian Investments Co., Ltd)*, a limited liability company established in the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase Agreement dated 31 December 2020 and executed on 4 January 2021 and entered into between the Purchaser and the Vendor in respect of the Disposal

“SGM”	the special general meeting of the Company to be held and convened for the Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	泰山石化(福建)有限公司 (Titan Petrochemicals (Fujian) Ltd.)*, a limited liability company established in the PRC
“Vendor”	舟山甬泰船務有限公司 (Zhoushan Yongtai Shipping Co., Ltd.)*, a limited liability company established in the PRC, being an indirect wholly owned subsidiary of the Company and the registered holder of 100% of the registered capital of the Target Company before Completion
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 4 January 2021

\* *The English translation of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names and words.*

*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 the independent non-executive Directors are Mr. Lau Fai Lawrence, Mr. Sun Feng and Mr. Cheung Hok Fung Alexander.*