Titan Petrochemicals Group Limited

(Provisional Liquidators appointed)

(Incorporated in Bermuda with limited liability)

(Stock Code: 1192)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

CHAIRMAN'S STATEMENT

During the year ended 31 December 2013, the board of directors (the "Board") of Titan Petrochemicals Group Limited (the "Company" or "Titan", together with its subsidiaries, collectively the "Group") continued to deal with various problems and challenges left behind by its ex-management. During the period under review, the Group faced crippling financial hardship, and with aborted source of revenue due to suspension of the Group's business operations and the persistent pressures from the financial difficulties and various lawsuits, loss of the Group for the year had increased to approximately HK$4,570 million. The Group continued to take active approach toward the various legal actions against it. Notwithstanding the Company's situation, Guangdong Zhenrong Energy Co., Ltd. ("GZE") provided support to the restructuring of the business and indebtedness of the Group by, among other things, the acquisition of all the rights, interests and obligations under the agreement for the disposal of the equity interest in Titan Quanzhou Shipyard Co. Ltd. ("Titan Quanzhou Shipyard") from Grand China Logistics Holding (Group) Company Limited ("Grand China Logistics"), as well as the acquisition of the indebtedness owed by Titan Quanzhou Shipyard to third parties. It did not only lead to the discontinuation of the legal proceedings in the PRC with respect to the disposal of Titan Quanzhou Shipyard, but also safeguard the foundation, the shipyard in Quanzhou owned by Titan Quanzhou Shipyard (the "Shipyard") and related assets, for the Group's long term business development.

The Company put forward a restructuring proposal in November 2013 and has since then, taken active steps to seek the support from its creditors and potential creditors. We are glad that a majority of the creditors have expressed their support of the restructuring proposal. However, the future of Titan is still subject to, among other things, the affirmative vote by the requisite majority of the creditors on the scheme(s) of arrangement under the restructuring proposal.

OUTLOOK

With the best endeavors from the newly appointed management as well as the strong support from GZE, there is a silver lining. The management, with a prudent, sincere and pragmatic attitude, will continue to make every effort on the implementation of restructuring proposal taking all the stakeholders' interest into account and to benefit the creditors, the shareholders and the staff member of the Company.

It is worth highlighting that in April 2014, the Group entered into a co-operation arrangement with FELS Offshore Pte Ltd ("FELS" and together with its related corporations, the "Keppel Group"), a subsidiary of Keppel Offshore & Marine Ltd, which in turn is a subsidiary of Keppel Corporation Limited, a company listed on the Singapore Securities Exchange. Keppel Offshore & Marine Ltd is the leader in offshore rig design, construction and repair, ship repair and conversion and specialised shipbuilding. The Company, Titan Quanzhou Shipyard and FELS entered into a management services agreement (the "Management Services Agreement") for 30 years pursuant to which FELS will make available certain employees of FELS or any member of the Keppel Group to Titan Quanzhou Shipyard to supervise and manage the operations of the Shipyard. Through the cooperation with the Keppel Group, the Company intends to develop the Shipyard into a leading marine engineering equipment manufacturer and service provider in China and even in Asia. Under the Management Services Agreement, FELS also has the right to subscribe for up to 9.9% equity in the Company, which, if the subscription materializes, will strengthen the relationship between the Group and the Keppel Group.

Under the Management Services Agreement, several pre-conditions have to be satisfied before the agreement will come into effect, such conditions include, among others, completion of the debt restructuring of the Company and resumption of trading in the Company's shares on the Hong Kong Stock Exchange. Setting the completion of restructuring and resumption of trading as the goals in this stage, with support from GZE, the management of the Company is currently making every effort to obtain the support from every creditor and shareholder, thereby every stakeholder would share such a valuable and remarkable venture.

Zhao Xu Guang
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 December 2013, the Group's revenue from continuing operations was HK$644 million, compared to HK$1,272 million in the previous year. The loss before tax from continuing operations increased to HK$4,818 million, compared to HK$482 million in 2012. The loss for the year widened to HK$4,570 million, mainly comprised of the impairment loss on amounts due from deconsolidated subsidiaries amounted to HK$5,384 million and gain on deconsolidation of subsidiaries amounted to HK$1,236 million.

In view of the Group's financial position, the Board proposed not to declare any dividend for the 2013 fiscal year.

Business Review

The Group has been a provider of logistics, transportation, distribution and marine services for petrochemical products in the Asia Pacific region and, in particular, in China. In addition, we have developed and provided management services for a multi-functional ship repair and shipbuilding yard which is one of the largest of its kind in Asia.

Continuing Operations

Offshore Storage

The Group provided oil storage, transit and blending services in Asia on a year round basis. Revenue from this business segment decreased by 96% to HK$14 million compared to last year. The segment loss before interest, tax, depreciation and amortisation ("LBITDA") decreased to HK$198 million as compared to HK$58 million in the prior year.

Transportation

The Group offered transportation services for oil and petrochemical products to customers in the Southeast Asian regions during the year under review. Owing to volatile oil price fluctuations and the uncertain market status, this business segment was suspended since 2012. The segment LBITDA amounted to HK$5 million, as compared to HK$79 million in 2012.

Supply of Oil Products and Provision of Bunker Refueling Services

The Group engaged in the supply of oil products and provision of bunker refueling services and revenue from this business segment dropped by 10% to HK$630 million in 2013.

Discontinued Operations

Shipbuilding (Shipyard)

In December 2010, the Group entered into a sale and purchase agreement with Grand China Logistics Holding (Group) Company Limited ("Grand China Logistics") (as amended and supplemented by further agreements dated 24 July 2011) (the "GCL Sale and Purchase Agreement") for the disposal of its 95% equity interest in Titan Quanzhou Shipyard Co. Ltd. ("Titan Quanzhou Shipyard") to Grand China Logistics for RMB1,866 million (equivalent to approximately HK$2,175 million). This transaction, however, had not yet been completed as Grand China Logistics failed to comply with its payment obligations.

On 10 June 2013, the Company received a notification from Grand China Logistics informing the Company that it had entered into an agreement with Guangdong Zhenrong Energy Co., Ltd. ("GZE") pursuant to which it transferred to GZE all of its interests, rights and obligations in respect of the GCL Sale and Purchase Agreement.

On 26 December 2013, 上海市第一中級人民法院 (Shanghai No. 1 Intermediate People's Court) (the "Shanghai Intermediate Court") approved the application by Grand China Logistics of the withdrawal of the claim initiated by Grand China Logistics against the Group, in relation to the GCL Sale and Purchase Agreement. Notwithstanding the discontinuation of the proceedings in the Shanghai Intermediate Court, any disposition of the assets of Titan Quanzhou Shipyard remain subject to, among other things, GZE's rights and interests in the indebtedness (the "Indebtedness") originally owed by Titan Quanzhou Shipyard to the Fuzhou branch of Shanghai Pudong Development Bank Co., Ltd. and the collateral and guarantee granted in respect of the Indebtedness (the "Securities"). Since Titan Quanzhou Shipyard had been in default on its payment obligations under the Indebtedness and the Securities are liable to be enforced by GZE.

Despite Grand China Logistics transferring all of its interests, rights and obligations in respect of the GCL Sale and Purchase Agreement, the payment obligations of this transaction has not been completed, this business continues to be classified as "discontinued operation".

There was no revenue during the year under review, and segment earning before interest, tax, depreciation and amortisation ("EBITDA") was HK$455 million mainly due to the reversal of impairment of property, plant and equipment and prepaid land/seabed lease payments. Revenue and the segment LBITDA were HK$12 million and HK$2,271 million respectively in 2012.

Onshore Storage

As a result of the deconsolidation of Titan Group Investment Limited ("TGIL") and its subsidiaries (the "TGIL Group") during the year ended 31 December 2012, there was no operation in Onshore Storage segment in 2013. Revenue and the segment LBITDA were HK$77 million and HK$992 million respectively in 2012.

Discontinued Operations (Continued)

Deconsolidation of Subsidiaries

Titan Resources Management (S) Pte. Ltd. and Titan Bunkering Pte. Ltd. were put into voluntary liquidation on 6 June 2013.

Titan Ocean Pte Ltd was ordered to be wound up by the High Court of the Republic of Singapore on 28 June 2013.

Sino Mercury Pte. Ltd., Titan Aries Pte. Ltd., Titan Gemini Pte. Ltd., Titan Libra Pte. Ltd., Titan Mercury Shipping Pte. Ltd. and Titan Virgo Pte. Ltd. were put into voluntary liquidation on 19 July 2013. NAS Management Pte Ltd, Titan Chios Pte. Ltd., Titan Neptune Shipping Pte. Ltd., Titan Orient Lines Pte. Ltd., Titan Pisces Pte. Ltd., Titan Solar Pte Ltd, Sino Venus Pte. Ltd. and Far East Bunkering Services Pte Ltd were put into voluntary liquidation on 13 August 2013.

Accordingly, the Group had deconsolidated these subsidiaries, as a result of which the amounts due from the deconsolidated subsidiaries were considered to be non-recoverable and thus were fully impaired as these subsidiaries were put into the liquidation during the year ended 31 December 2013.

Liquidity, Financial Resources, Charges on Assets and Gearing

As at 31 December 2013, the Group net liabilities amounted to HK$7,724 million, compared to net liabilities of HK$3,139 million as at 31 December 2012.

The Group financed its operations mainly through internally generated resources, term loans and trade finance facilities provided by banks in Hong Kong and Mainland China. As at 31 December 2013,

a) The Group had:

- Cash and bank balances of HK$20 million (2012: HK$124 million) of which HK$0.2 million (2012: HK$1 million) was from the discontinued operation in respect of shipbuilding segment; pledged deposits and restricted cash of HK$487 million (2012: HK$604 million) were from continuing operations. These balances were comprised of:
  - an equivalent of HK$41 million (2012: HK$136 million) denominated in US dollars
  - an equivalent of HK$0.1 million (2012: HK$1 million) denominated in Singapore dollars
  - an equivalent of HK$461 million (2012: HK$529 million) of which HK$0.2 million (2012: HK$1 million) was from the discontinued operation, denominated in RMB
  - HK$5 million (2012: HK$4 million) in Hong Kong dollars
  - HK$58 million denominated in EURO as at 31 December 2012

Liquidity, Financial Resources, Charges on Assets and Gearing (Continued)

a) The Group had: (Continued)

- Interest-bearing bank loans of HK$706 million (2012: HK$2,625 million), of which HK$700 million (31 December 2012: HK$2,440 million) was from discontinued operation of shipbuilding segment. Floating rate loans denominated in US dollars amounted to HK$6 million (2012: HK$6 million). Group bank loans having maturities within one year amounted to HK$706 million (2012: HK$2,568 million) of which HK$700 million (2012: HK$2,383 million) related to discontinued operation in respect of shipbuilding segment

- Loans from the ultimate holding company having maturities within one year of HK$1,924 million (2012: HK$Nil), of which HK$1,829 million (2012: HK$Nil) was from discontinued operation of shipbuilding segment

- Loan from the immediate holding company of HK$3 million (2012: HK$10 million)

b) The Group's banking and other facilities, including those classified as held for sale were secured or guaranteed by:

- Construction in progress with an aggregate carrying value of HK$836 million (2012: HK$811 million)

- Bank balances and deposits of HK$461 million (2012: HK$578 million)

- Machinery with an aggregate net carrying value of HK$147 million (2012: HK$98 million)

- Buildings with an aggregate net carrying value of HK$453 million (2012: HK$454 million)

- Prepaid land/seabed lease payments with an aggregate net carrying value of HK$338 million (2012: HK$330 million)

- Corporate guarantees executed by the Company and its subsidiary

- Corporate guarantees executed by the subsidiaries of the ultimate holding company

- Personal guarantees executed by a related party and a former director of the Company

- Certain Company shares owned by related parties of the Company

c) The fixed rate guaranteed senior notes (the "Senior Notes Due 2012") of HK$962 million (2012: HK$892 million), the guaranteed senior convertible notes (the "Convertible Notes Due 2015") of HK$500 million (2012: HK$454 million) and the guaranteed senior payment-in-kind notes (the "PIK Notes Due 2015") of HK$100 million (2012: HK$92 million) were secured by the shares of certain subsidiaries.

Liquidity, Financial Resources, Charges on Assets and Gearing (Continued)

d) The Group, including those assets of a disposal group classified as held for sale and liabilities directly associated with the assets classified as held for sale, had:

- Current assets of HK$3,626 million (2012: HK$3,443 million) and total assets of HK$3,655 million (2012: HK$3,472 million) of which HK$2,957 million (2012: HK$2,423 million) was from the discontinued operation of shipbuilding segment

- Total bank loans of HK$706 million (2012: HK$2,625 million) of which HK$700 million (2012: HK$2,440 million) was from the discontinued operation in respect of shipbuilding segment

- The Senior Notes Due 2012 of HK$962 million (2012: HK$892 million)

- The Convertible Notes Due 2015 of HK$500 million (2012: HK$454 million)

- The PIK Notes Due 2015 of HK$100 million (2012: HK$92 million)

- Convertible preferred shares issued by the Company (the "Titan preferred shares") with a liability portion of HK$406 million (2012: HK$392 million)

- Notes payable (the "K-Line Notes Due 2013") was classified as a current liability to the extent of the liability portion in the amount of HK$227 million (2012: HK$46 million)

- Loans from the ultimate holding company of HK$1,924 million (2012: HK$Nil) of which HK$1,829 million (2012: HK$Nil) was from the discontinued operation of shipbuilding segment

- Loan from the immediate holding company of HK$3 million (2012: HK$10 million)

e) The Group's current ratio was 0.32 (2012: 0.52). The gearing of the Group, calculated as the total bank loans, the Senior Notes Due 2012, the Convertible Notes Due 2015, the K-Line Notes Due 2013, the PIK Notes Due 2015, loans from the ultimate holding company and loan from the immediate holding company to total assets, increased to 1.21 (2012: 1.19).

f) The Group operated in Hong Kong, Singapore and Mainland China and primarily used US dollars for its businesses in Singapore, Renminbi for the business in Mainland China and Hong Kong dollars in Hong Kong for both income and expenses. Therefore, the Group's foreign currency exposures are minimal in view of the natural hedge between costs and revenues. The Group has not used any financial instruments for speculative purposes.

Employees and Remuneration Policies

As at 31 December 2013, the Group had 188 employees (2012: 510), of which 163 employees (2012: 399) worked in Mainland China, and 23 employees and 2 employees (2012: 22 and 89) were based in Hong Kong and Singapore, respectively. Included in those working in Mainland China, 158 employees (2012: 388) were from Titan Quanzhou Shipyard. 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.

Litigation

a) Bermuda Proceedings

On 4 July 2012, the Company received from Saturn Petrochemical Holdings Limited ("SPHL") a notice to redeem all of the Titan preferred shares held by it at a redemption amount equal to the notional value of the Titan preferred shares (being HK$310.8 million) together with any accrued and unpaid dividends. Redemption monies were payable 30 business days after the date of the redemption notice.

SPHL filed a petition for the winding-up of the Company on 9 July 2012 (Bermuda time) (the "SPHL Petition") and made an application seeking the appointment of joint provisional liquidators on 27 August 2012 (Bermuda time) with the Supreme Court of Bermuda (the "Bermuda Court"). The SPHL Petition, which remained undismissed or unstayed for a period of 60 consecutive days (i.e. on or before 6 September 2012 (Bermuda time)), caused an event of default to occur under the PIK Notes Due 2015 and the Convertible Notes Due 2015.

The SPHL Petition was subsequently struck out by the Bermuda Court, and KTL Camden Inc. ("Camden") was substituted as the petitioner in place of SPHL upon its application to the Bermuda Court. Camden claimed that Titan Storage Limited, a subsidiary of the Company, failed to pay certain hiring charges to Camden pursuant to a bareboat charter party contract and that the Company was liable to Camden for such hiring charges plus interest thereon pursuant to a deed of guarantee issued by the Company in favour of Camden.

On 16 August 2013, the Bermuda Court, upon the application by Camden, ordered an injunction restraining the Company from (i) disposing of any property, including things in action, belonging to the Company; or (ii) consenting to or approving the disposal of property, including things in action, belonging to any subsidiary (as defined in section 86 of the Companies Act 1981) of the Company, without the approval of the Bermuda Court or without 7 days' written notice of the same to Camden.

Litigation (Continued)

a) Bermuda Proceedings (Continued)

On 18 October 2013 (Bermuda time), the Bermuda Court ordered the appointment of two joint provisional liquidators ("JPLs") to the Company with specified powers as set out in the announcement of the Company dated 22 October 2013.

On 14 February 2014 (Bermuda time), the Bermuda Court ordered the variation of the order made by the Bermuda Court on 18 October 2013 (Bermuda time) in relation to the appointment of the JPLs such that the powers of the JPLs be varied as disclosed in the announcement of the Company dated 18 February 2014.

On 7 March 2014 (Bermuda time), the Bermuda Court ordered, among other things, that (i) the Company be permitted to enter into an unsecured loan agreement with Fame Dragon International Investment Limited ("Fame Dragon") in relation to the provision of an unsecured loan by Fame Dragon to the Company and (ii) the winding up petition by Camden was adjourned to 17 April 2014 (Bermuda time).

On 17 April 2014 (Bermuda time), the winding up petition by Camden was further adjourned to 16 May 2014 (Bermuda time).

b) British Virgin Islands ("BVI") Proceedings

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

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

On 18 July 2012 (BVI time), Titan Oil Storage Investment Limited ("TOSIL"), a wholly-owned subsidiary of the Company and a shareholder of TGIL, filed a notice of appeal at the Court of Appeal of the Eastern Caribbean Supreme Court (the "BVI Court of Appeal") against the Order and applied for a stay of execution of the Order pending the determination of the appeal. The stay application was subsequently withdrawn.

The BVI Court of Appeal was stayed until 20 March 2013 (BVI time) by consent of TOSIL as appellant and SSL and TGIL as respondents.

The Company, TGIL, TOSIL and SSL have been in negotiations on the BVI proceedings, however, up to the date of this announcement, there is no assurance that a settlement on the BVI proceedings will be reached.

Litigation (Continued)

c) ***Hong Kong Proceedings***

On 19 July 2012, the Company received from SSL a writ of summons (the "Writ") issued in the Court of First Instance in the High Court of the Hong Kong Special Administrative Region (the "Hong Kong Court") with an indorsement of claim against the Company and other parties including its wholly-owned subsidiary, TOSIL, and two directors of the Company. SSL alleged in the Writ among other things (a) breach of the amended and restated investor rights agreement (the "IRA") in respect of TGIL dated 17 July 2009; and (b) misrepresentations regarding the financial position of TGIL, and its subsidiaries. SSL seeks, amongst other remedies, specific performance of the IRA, injunctive relief, declaratory relief, an indemnity, damages, interest and costs.

The Hong Kong Court subsequently, amongst other things, stayed the proceedings for a period of 90 days and the stay was subsequently extended until 15 March 2013.

On 15 November 2013, SSL was ordered by the Hong Kong Court to provide security in various sums for the defendants' costs of the proceedings. SSL has yet to comply with this order and the proceedings are presently stayed. The Hong Kong proceedings will continue in accordance with the rules of the Hong Kong Court or as otherwise ordered by the Hong Kong Court.

The Company, TOSIL and SSL have been in negotiations with a view to reaching a settlement relating to the Writ, however, up to the date of this announcement, there is no assurance that a settlement on the Writ will be reached.

d) ***People's Republic of China ("PRC") Proceedings***

On 30 May 2012, 泰山石化(福建)有限公司 (Titan Petrochemicals (Fujian) Ltd*) ("Titan Fujian"), a wholly-owned subsidiary of the Company, received a summons issued by the Shanghai Intermediate Court with Grand China Logistics as plaintiff and the Company, Titan Fujian and Titan TQSL Holding Company Ltd(泰山泉州船厂控股有限公司)("Titan TQSL"), another wholly-owned subsidiary of the Company, as defendants. Grand China Logistics sought an order for, amongst other things, the termination of the GCL Sale and Purchase Agreement and repayment to Grand China Logistics of the part payments in the aggregate amount of RMB740,000,000 together with accrued interest.

Litigation (Continued)

d) People's Republic of China ("PRC") Proceedings (Continued)

On 23 August 2012, Titan Fujian filed a statement of counterclaim against Grand China Logistics with the Shanghai Intermediate Court to seek, amongst other remedies, specific performance by Grand China Logistics of the GCL Sale and Purchase Agreement.

On 10 June 2013, the Company received a notification from Grand China Logistics dated 7 June 2013 informing the Company that it had entered into an assignment with GZE pursuant to which it would assign to GZE all of its interests, rights and obligations in respect of the GCL Sale and Purchase Agreement (the "Assignment") and, on the basis that none of the terms of the GCL Sale and Purchase Agreement would be changed as a result of the Assignment, the Company had no objection to the Assignment on 19 June 2013.

On 23 December 2013, the Shanghai Intermediate Court ordered the discontinuation of the proceedings in relation to the counterclaim lodged by Titan Fujian against Grand China Logistics on the grounds that, following the Assignment, Grand China Logistics was no longer the appropriate defendant for the counterclaim as it has transferred all its interests, rights and obligations in respect of the GCL Sale and Purchase Agreement to GZE. On 26 December 2013, the Shanghai Intermediate Court approved the application by Grand China Logistics of the withdrawal of the claim initiated by Grand China Logistics against the Company, Titan TQSL and Titan Fujian in relation to the GCL Sale and Purchase Agreement.

Proposed Debt Restructuring

On 25 November 2013, the Company announced, among other things, the following key indicative terms of a debt restructuring proposal:

a) the debt restructuring proposal will be implemented by way of a creditors' scheme of arrangement (the "Creditors' Scheme") and it is proposed that the following claims (the "Scheme Claims") will be recognised under the scheme:

   i) all indebtedness arising out of the Senior Notes Due 2012, the PIK Notes Due 2015 and the Convertible Notes Due 2015 (collectively, the "Existing Notes") (including principal and accrued interest); and

   ii) all liabilities arising out of the guaranteed notes issued by Titan Shipyard Holdings Ltd., recognised trade payables owed by the Company and recognised claims arising from amounts owed by subsidiaries within the Group which have been guaranteed by the Company;

Proposed Debt Restructuring (Continued)

b) pursuant to the Creditors' Scheme, holders of Scheme Claims will agree to settle their claims in exchange for:

   i) in the case of the holders of the Existing Notes, for every HK$1.00 of the amount of their claims arising under the Existing Notes:

      I) HK$0.10 in cash and HK$0.30 in new Shares to be issued by the Company at the same price per share as the initial conversion price of the Convertible Bonds to be issued by the Company under the Open Offer (the "Convertible Bonds"); or

      II) HK$0.20 in cash and HK$0.10 in new Shares to be issued by the Company at the same price per share as the initial conversion price of the Convertible Bonds and, if any holder of the Existing Notes fails to make a selection before a specified deadline to be agreed, the Company will, at its sole discretion, select one of the above options on behalf of that holder;

   ii) in the case of the holders of the unsecured claims, for every HK$1.00 of the amount of their claims, HK$0.10 in cash;

c) the new Shares to be issued by the Company to the holders of the Existing Notes under the Creditors' Scheme will be subject to a lock-up period of 12 months;

d) the completion of the Creditors' Scheme will be conditional upon certain conditions;

e) the Company will seek agreement with GZE, whereby the GCL Sale and Purchase Agreement in relation to Titan Quanzhou Shipyard is proposed to be terminated and the amount of RMB740 million, being part payment of the purchase price under the GCL Sale and Purchase Agreement, is proposed to be applied towards a subscription by GZE for new Shares in the Company (the "Shipyard Settlement");

f) the cash portion of the Creditors' Scheme will be funded by an open offer (the "Open Offer") of convertible bonds in the principal amount of HK$0.05 for every one existing share held by the qualifying shareholders (the terms of which are subject to finalisation) and the subscriptions of convertible bonds (the "CB Subscriptions") by New Berkeley Corporation, CGL Resources Limited and Wahen Investments Limited on substantially the same terms as the Open Offer (which are also subject to finalisation);

Proposed Debt Restructuring (Continued)

g) the Company, SPHL and GZE propose that the redemption notice in respect of the Titan preferred shares will be withdrawn and the Titan preferred shares will remain as part of the Company's capital structure on existing terms; and

h) the Creditors' Scheme, the Open Offer, the CB Subscriptions and the Shipyard Settlement will be inter-conditional upon each other and will all be conditional upon approval for resumption of trading in the Company's shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Suspension of trading and listing status

Trading in the ordinary shares of the Company had been suspended since 19 June 2012.

The Company has been placed in the second stage of delisting under Practice Note 17 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The second delisting stage will expire on 21 May 2014. At the end of the period, the Stock Exchange will determine whether to place the Company in the third stage of delisting. The Company is required to submit a viable resumption proposal to the Stock Exchange by 5 May 2014 to address the following:

i) the Company must demonstrate sufficient operations or assets under Rule 13.24 of the Listing Rules;

ii) the Company must publish all outstanding financial results and address any audit qualifications; and

iii) the Company must have the winding up petition against the Company withdrawn or dismissed and the provisional liquidators discharged.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CONTINUING OPERATIONS			
Revenue	2	**644,325**	1,272,127
Cost of sales		**(673,394)**	(1,395,162)
Gross loss		**(29,069)**	(123,035)
Other revenue		**5,807**	61,310
Change in fair values of derivative financial instruments not qualifying as hedges		**–**	157,763
Gain on deconsolidation of subsidiaries	6	**1,236,193**	–
General and administrative expenses		**(317,279)**	(330,369)
Finance costs	5	**(153,318)**	(247,846)
Impairment loss on amounts due from deconsolidated subsidiaries	6	**(5,384,435)**	–
Loss on derecognition of derivative financial instruments not qualifying as hedges		**(176,049)**	–
Loss before tax from continuing operations	8	**(4,818,150)**	(482,177)
Income tax credit	9	**440**	7,854
Loss for the year from continuing operations		**(4,817,710)**	(474,323)
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	4	**247,478**	(3,502,821)
LOSS FOR THE YEAR		**(4,570,232)**	(3,977,144)
Loss for the year attributable to:			
Owners of the Company		**(4,570,232)**	(3,977,144)
Non-controlling interests		**–**	–
		(4,570,232)	(3,977,144)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	10		
From continuing and discontinued operations			
Basic per share		**(HK58.44 cents)**	(HK50.86 cents)
Diluted per share		**(HK58.44 cents)**	(HK50.86 cents)
From continuing operations			
Basic per share		**(HK61.60 cents)**	(HK6.07 cents)
Diluted per share		**(HK61.60 cents)**	(HK6.07 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
Loss for the year	**(4,570,232)**	(3,977,144)
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(13,108)**	(30,473)
Other comprehensive loss for the year, net of tax	**(13,108)**	(30,473)
Total comprehensive loss for the year	**(4,583,340)**	(4,007,617)
Total comprehensive loss attributable to:		
Owners of the Company	**(4,583,340)**	(4,007,617)
Non-controlling interests	**–**	–
	(4,583,340)	(4,007,617)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,787**	5,023
Prepaid land/seabed lease payments		**24,558**	24,361
Licenses		**–**	–
Total non-current assets		**29,345**	29,384
CURRENT ASSETS			
Inventories		**–**	43,789
Accounts receivable	*11*	**181**	1,837
Prepayments, deposits and other receivables		**161,729**	247,089
Pledged deposits and restricted cash		**487,059**	604,489
Cash and cash equivalents		**19,664**	122,560
		668,633	1,019,764
Assets of a disposal group classified as held for sale	*4*	**2,956,904**	2,423,163
Total current assets		**3,625,537**	3,442,927
CURRENT LIABILITIES			
Interest-bearing bank loans		**5,850**	184,706
Accounts payable	*12*	**351,408**	402,475
Other payables and accruals	*13*	**4,520,305**	1,236,530
Fixed rate guaranteed senior notes	*14*	**962,062**	891,871
Guaranteed senior convertible notes	*15*	**499,693**	453,971
Guaranteed senior payment-in-kind notes	*16*	**100,243**	92,236
Liability portion of convertible preferred shares	*17*	**406,110**	391,502
Notes payable	*18*	**227,292**	45,950
Tax payable		**1,059**	1,480
Amounts due to the ultimate holding company		**951,730**	–
Amount due to the immediate holding company		**27**	–
Loans from the ultimate holding company		**95,283**	–
Loan from the immediate holding company		**–**	9,700
		8,121,062	3,710,421
Liabilities directly associated with the assets classified as held for sale	*4*	**3,255,146**	2,900,463
Total current liabilities		**11,376,208**	6,610,884

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NET CURRENT LIABILITIES		**(7,750,671)**	(3,167,957)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(7,721,326)**	(3,138,573)
NON-CURRENT LIABILITIES			
Loan from the immediate holding company		**3,000**	–
Total non-current liabilities		**3,000**	–
Net liabilities		**(7,724,326)**	(3,138,573)
DEFICIENCY IN ASSETS			
Deficiency attributable to owners of the Company			
Share capital	*20*	**78,206**	78,206
Deficits		**(7,802,532)**	(3,216,779)
Deficiency in assets		**(7,724,326)**	(3,138,573)

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements of Titan Petrochemicals Group Limited (the "Company and its subsidiaries" collectively the "Group") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). They have been prepared under the historical cost convention, except for financial instruments, which have been measured at fair value. All the assets and liabilities as at 31 December 2013 included in the disposal group classified as held for sale, representing the shipbuilding and building of ship repair facilities operations, were stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Loss of access to books and records of the Group

The directors of the Company ("Directors") have used their best endeavors to locate all the financial and business records of the Group. The access to most of the books and records of its subsidiaries which operated in Singapore have not been able to be located as a consequence of the re-location of the operating office and severs, together with the resignations of key management and most of the former operating and accounting personnel have once left the Group. Compounding the difficulties in obtaining information is the fact that most of the Singapore subsidiaries were put into liquidation in 2013 and 2014 and the records have since been under the control of liquidator. As a result, the Directors have been unable to obtain sufficient information to satisfy themselves regarding the treatment of various transactions and balances of the Group for the year ended 31 December 2013.

1.1 GOING CONCERN BASIS

During the year ended 31 December 2013, the Group incurred losses of HK$4,570,232,000 and, as of that date, the Group had net current liabilities and net liabilities of HK$7,750,671,000 and HK$7,724,326,000 respectively. These conditions together with events set out below, indicate the existence of a material uncertainty which may cast significant effect on the Group's ability to continue as a going concern.

Legal proceedings in which the Group are involved are summarised below:

a) Proceedings

i) Bermuda proceedings

On 9 July 2012 (Bermuda time), Saturn Petrochemical Holdings Limited ("SPHL") served on the Company a petition (the "SPHL Petition") at the Supreme Court of Bermuda (the "Bermuda Court") for an order, amongst other things, to wind up and to appoint a provisional liquidator against the Company.

On 23 July 2013 (Bermuda time), the Bermuda Court ordered (i) the SPHL Petition be struck out, and the Company be awarded the costs of the SPHL Petition up to the date upon which the skeleton argument for the strike-out application was filed; (ii) KTL Camden Inc ("Camden") (the "Camden Petition") was allowed to be substituted as the petitioner in place of SPHL.

1.1 GOING CONCERN BASIS (Continued)

a) Proceedings (Continued)

i) Bermuda proceedings (Continued)

On 18 October 2013 (Bermuda time), the Bermuda Court ordered the appointment of Mr. Gath Calow and Ms. Alison Tomb, both of PricewaterhouseCoopers, as the joint provisional liquidators ("JPLs") of the Company with limited powers.

On 14 February 2014 (Bermuda time), the powers of the JPLs were varied by the Bermuda Court. On 7 March 2014 (Bermuda time), the Bermuda Court ordered that the Company be permitted to enter into the unsecured loan agreement with Fame Dragon International Investment Limited ("Fame Dragon") in relation to the provision of an unsecured loan by Fame Dragon to the Company.

The winding up petition against the Company by Camden was adjourned to 16 May 2014 (Bermuda time), further details of which are set out in note 22(b).

ii) British Virgin Islands ("BVI") proceedings

On 18 June 2012, the Company received from Saturn Storage Limited ("SSL") two notices to exercise its redemption rights under Titan Group Investment Limited ("TGIL") convertible preferred shares (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 (the "BVI Court") ordered (the "Order") the liquidation of TGIL. This resulted to a loss of joint control over TGIL and its subsidiaries (collectively, the "TGIL Group"), further details of which are set out in notes 1.2 and 22(c).

b) Debt restructuring

The directors have adopted the going concern basis in the preparation of the consolidated financial statements and have implemented measures to improve the working capital, liquidity and cash flow position of the Group.

The Company is in discussions with the Group's creditors and potential creditors as well as Guangdong Zhenrong Energy Co., Ltd. ("GZE"), CGL Resources Ltd. ("CGL Resources"), New Berkeley Corporation ("New Berkeley") and Wahen Investments Limited ("Wahen Investments") (together with CGL Resources and New Berkeley, collectively, the "CB Subscribers") to devise a debt restructuring proposal, further details of which are set out in note 23(b).

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed and that, following the financial restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue to operate as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

1.1 GOING CONCERN BASIS (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive loss within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits/accumulated losses, as appropriate.

1.2 DECONSOLIDATION OF A JOINTLY-CONTROLLED ENTITY

The joint control of the Company over the TGIL Group has been lost upon occurrence of the external restrictions and events during the year 2012. Further details of the deconsolidation of a joint-controlled entity are set out in note 7.

Details of companies in the TGIL Group are set out below.

Jointly-controlled entity
TGIL

TGIL subsidiaries
Forever Fortune Holdings Limited
Fujian Titan Petrochemical Storage Development Co., Ltd. ("FJ Titan")
Guangzhou Nansha Titan Petrochemical Development Company Limited ("GZ Nansha")
Quanzhou Titan Petrochemical Terminal Development Co., Ltd. ("QZ Titan")
Sky Sharp Investments Limited
Titan Group Yangshan Investment Limited
Titan Group Yantai Investment Limited
Titan Investment Group Limited
Titan WP Storage Ltd.
Titan Group Nansha Investment Limited

TGIL associates
Guangzhou Xiaohu Petrochemical Terminal Co., Ltd
Yangshan Shen Gang International Oil Logistics Co., Ltd.

TGIL jointly-controlled entity
Yantai Titan Petrochemical Port Development Company Limited

1.2 DECONSOLIDATION OF A JOINTLY-CONTROLLED ENTITY (Continued)

On 17 July 2012 (BVI time), Russell Crumpler of KPMG (BVI) Limited, together with Edward Middleton and Patrick Cowley of KPMG were appointed as joint and several liquidators of TGIL with standard powers under the BVI Insolvency Act 2003. A fourth liquidator, Stuart Mackellar of Zolfo Cooper (BVI) Limited, was appointed with limited powers.

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time in the current year financial statements.

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except for the amendments to HKAS 1, the application of these new HKFRSs has no material impact on the results and the financial position of the Group.

The nature of the impending changes in accounting policy on adoption of the amendments to HKAS 1 is described below.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

1.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 9	Financial Instruments[6]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

[1] *Effective for annual periods beginning on or after 1 January 2014.*
[2] *Effective for annual periods beginning on or after 1 July 2014.*
[3] *Effective for annual periods beginning on or after 1 January 2015.*
[4] *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.*
[5] *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.*
[6] *Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.*

2. REVENUE

Revenue, under continuing operations, represents gross income from offshore storage services, gross freight income from the provision of transportation services, the net invoiced value of oil products sold (after allowances for returns and trade discounts) and income from the provision of bunker refueling services, while gross income from shipbuilding and onshore storage services are included under the revenue of discontinued operations as set out in note 4. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and are principally engaged in (a) provision of logistic services (including offshore storage and transportation); and (b) supply of oil products and provision of bunker refueling services. In 2010, the Group classified its shipbuilding operation as being discontinued for the reason as detailed in note 4(a).

The joint control of the Company over the TGIL Group was lost during the year ended 31 December 2012 and, as a result, the Group discontinued its onshore storage operation as set out in note 4(b).

3. OPERATING SEGMENT INFORMATION (Continued)

Management monitors the results of its operating segments separately for the purposes of making decisions about resource allocations and performance assessments. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except that interest income, other gains, finance costs, as well as head office and corporate expenses are excluded from such measurement.

The accounting policies of the operating segments are the same as the Group's accounting policies described in the Company's Annual Report for the year ended 31 December 2013.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2013

	Provision of logistic services		Supply of oil products and provision of bunker refueling services	Continuing operations	Discontinued operation		
	Offshore storage	Transportation		Total	Shipbuilding	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue							
– Revenue from external customers	14,058	–	630,267	644,325	–	–	644,325
Segment results	(197,548)	(4,777)	(9,025)	(211,350)	(94,991)	–	(306,341)
Adjusted for:							
– Interest income	–	–	–	–	2	3,061	3,063
– Other revenue	–	–	–	–	–	667	667
– Other expenses	–	–	–	–	–	(132,919)	(132,919)
	(197,548)	(4,777)	(9,025)	(211,350)	(94,989)	(129,191)	(435,530)
Add: Depreciation and amortisation	–	–	315	315	50,424	2,025	52,764
Operating loss before interest, tax, depreciation and amortisation ("LBITDA")	(197,548)	(4,777)	(8,710)	(211,035)	(44,565)	(127,166)	(382,766)
Impairment loss on amounts due from deconsolidated subsidiaries	–	–	–	–	–	(5,384,435)	(5,384,435)
Reversal of impairment of property, plant and equipment	–	–	–	–	482,532	–	482,532
Reversal of impairment of prepaid land/ seabed lease payments	–	–	–	–	16,976	–	16,976
Gain on deconsolidation of subsidiaries	–	–	–	–	–	1,236,193	1,236,193
Loss on derecognition of derivative financial instruments not qualifying as hedges	–	–	–	–	–	(176,049)	(176,049)
(LBITDA)/Earnings before interest, tax, depreciation and amortisation ("EBITDA")	(197,548)	(4,777)	(8,710)	(211,035)	454,943	(4,451,457)	(4,207,549)
Depreciation and amortisation	–	–	(315)	(315)	(50,424)	(2,025)	(52,764)
Finance costs	–	–	–	–	(155,267)	(153,318)	(308,585)
(Loss)/profit before tax	(197,548)	(4,777)	(9,025)	(211,350)	249,252	(4,606,800)	(4,568,898)

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2012

	Provision of logistic services: Offshore storage *HK$'000*	Provision of logistic services: Transportation *HK$'000*	Supply of oil products and provision of bunker refueling services *HK$'000*	Continuing operations: Total *HK$'000*	Shipbuilding *HK$'000*	Onshore storage *HK$'000*	Discontinued operations: Total *HK$'000*	Unallocated and eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue									
– Revenue from external customers	380,378	193,689	698,060	1,272,127	12,217	77,360	89,577	–	1,361,704
– Intersegment revenue	–	–	108,927	108,927	–	–	–	(108,927)*	–
Total	380,378	193,689	806,987	1,381,054	12,217	77,360	89,577	(108,927)	1,361,704
Segment results	(115,131)	(87,783)	(59,567)	(262,481)	(2,348,227)	(57,460)	(2,405,687)	–	(2,668,168)
Adjusted for:									
– Interest income	–	–	–	–	373	657	1,030	19,582	20,612
– Other revenue	–	–	–	–	–	–	–	1,588	1,588
– Other expenses	–	–	–	–	–	–	–	(150,783)	(150,783)
Share of profits of associates	–	–	–	–	–	8,538	8,538	–	8,538
	(115,131)	(87,783)	(59,567)	(262,481)	(2,347,854)	(48,265)	(2,396,119)	(129,613)	(2,788,213)
Add: Depreciation and amortisation	56,977	9,043	435	66,455	76,891	40,861	117,752	11,230	195,437
Operating LBITDA	(58,154)	(78,740)	(59,132)	(196,026)	(2,270,963)	(7,404)	(2,278,367)	(118,383)	(2,592,776)
Gain on deconsolidation of a jointly-controlled entity	–	–	–	–	–	182,293	182,293	–	182,293
Loss on early redemption									
– TGIL preferred shares	–	–	–	–	–	(1,013,937)	(1,013,937)	–	(1,013,937)
– TGIL Notes Due 2014	–	–	–	–	–	(152,985)	(152,985)	–	(152,985)
Change in fair values of derivative financial instruments not qualifying as hedges	–	–	–	–	–	–	–	157,763	157,763
(LBITDA)/EBITDA	(58,154)	(78,740)	(59,132)	(196,026)	(2,270,963)	(992,033)	(3,262,996)	39,380	(3,419,642)
Depreciation and amortisation	(56,977)	(9,043)	(435)	(66,455)	(76,891)	(40,861)	(117,752)	(11,230)	(195,437)
Finance costs	–	–	–	–	(96,723)	(78,660)	(175,383)	(247,846)	(423,229)
Loss before tax	(115,131)	(87,783)	(59,567)	(262,481)	(2,444,577)	(1,111,554)	(3,556,131)	(219,696)	(4,038,308)

* *Intersegment revenue is eliminated on consolidation*

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2013

	Provision of logistic services		Supply of oil products and provision of bunker refueling services	Continuing operations	Discontinued operation	
	Offshore storage	Transportation		Total	Shipbuilding	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information						
Depreciation and amortisation	–	–	315	315	50,424	50,739
Unallocated depreciation and amortisation				2,025		2,025
				2,340		52,764
Capital expenditures*	–	–	13	13	11,756	11,769
Unallocated capital expenditures				2,489		2,489
				2,502		14,258
Impairment of accounts receivable	826	61	–	887	–	887
Impairment/(reversal of impairment) of property, plant and equipment	–	–	18	18	(482,532)	(482,514)
Unallocated impairment of property, plant and equipment				59		59
				77		(482,455)
Reversal of impairment of prepaid land/seabed lease payments	–	–	–	–	(16,976)	(16,976)

* *Capital expenditure consists of additions to property, plant and equipment.*

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2012

	Provision of logistic services		Supply of oil products and provision of bunker refueling services	Continuing operations			Discontinued operations	
	Offshore storage *HK$'000*	Transportation *HK$'000*	*HK$'000*	Total *HK$'000*	Shipbuilding *HK$'000*	Onshore storage *HK$'000*	Total *HK$'000*	Consolidated *HK$'000*
Other segment information								
Depreciation and amortisation	56,977	9,043	435	66,455	76,891	40,861	117,752	184,207
Unallocated depreciation and amortisation				11,230			–	11,230
				77,685			117,752	195,437
Capital expenditures*	5,473	–	1	5,474	205,331	57,901	263,232	268,706
Unallocated capital expenditures				230			–	230
				5,704			263,232	268,936
Impairment of accounts receivable	1,301	5,396	469	7,166	–	–	–	7,166
Impairment of other receivables	12,838	3,036	18,983	34,857	107,013	–	107,013	141,870
Unallocated impairment of prepayments, deposits and other receivables				4,480			–	4,480
				39,337			107,013	146,350
Impairment of property, plant and equipment	40,047	–	–	40,047	935,293	–	935,293	975,340
Unallocated impairment of property, plant and equipment				2,112			–	2,112
				42,159			935,293	977,452
Impairment of goodwill	–	–	16,568	16,568	570,618	–	570,618	587,186
Impairment of prepaid land/seabed lease payments	–	–	–	–	165,619	–	165,619	165,619
Impairment of license	19,384	–	–	19,384	–	–	–	19,384

* *Capital expenditure consists of additions to property, plant and equipment.*

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

		Mainland China		Other Asia Pacific countries		Consolidated	
		2013	2012	**2013**	2012	**2013**	2012
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
a)	**Revenue**						
	Revenue from external customers	**146,075**	770,361	**498,250**	591,343	**644,325**	1,361,704
	Attributable to discontinued operations						
	– shipbuilding	**–**	(12,217)	**–**	–	**–**	(12,217)
	– onshore storage	**–**	(77,360)	**–**	–	**–**	(77,360)
	Revenue from continuing operations	**146,075**	680,784	**498,250**	591,343	**644,325**	1,272,127
b)	**Other information**						
	Segment assets	**3,450,094**	3,095,211	**204,788**	377,100	**3,654,882**	3,472,311
	Segment liabilities	**3,566,940**	3,346,494	**7,812,268**	3,264,390	**11,379,208**	6,610,884
	Capital expenditures	**11,769**	263,233	**2,489**	229	**14,258**	263,462
	Unallocated capital expenditures					**–**	5,474
						14,258	268,936
	Impairment of accounts receivable	**–**	469	**887**	6,697	**887**	7,166
	Impairment of prepayments, deposits and other receivables	**–**	114,297	**–**	32,053	**–**	146,350
	(Reversal of impairment)/impairment of property, plant and equipment	**(482,455)**	935,293	**–**	42,159	**(482,455)**	977,452
	Impairment of goodwill	**–**	587,186	**–**	–	**–**	587,186
	(Reversal of impairment)/impairment of prepaid land/seabed lease payments	**(16,976)**	165,619	**–**	–	**(16,976)**	165,619
	Impairment of license	**–**	–	**–**	19,384	**–**	19,384

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

Information about major customers

Revenues of HK$484,192,000 and HK$89,378,000 (2012: HK$380,056,000 and HK$150,091,000) from two major customers reported under the supply of oil products and provision of bunker refueling services segment exceeded 10% of the Group's total revenue respectively.

4. DISCONTINUED OPERATIONS

a) Shipbuilding – Titan Quanzhou Shipyard Co. Ltd. ("Titan Quanzhou Shipyard")

On 11 December 2010, the Company entered into a sale and purchase agreement with Grand China Logistics Holding (Group) Company Limited ("Grand China Logistics") in relation to the disposal of its 95% equity interest in Titan Quanzhou Shipyard at a consideration of RMB1,865,670,000 (equivalent to approximately HK$2,300,783,000) or a maximum reduced consideration of RMB1,465,670,000 (equivalent to approximately HK$1,807,495,000) if Titan Quanzhou Shipyard's profit targets for the two years ending 31 December 2012 were not met. Pursuant to a supplemental agreement signed in 2011, such net profit targets were cancelled and the consideration for the proposed disposal was fixed at RMB1,665,670,000 (equivalent to approximately HK$2,054,139,000).

While the requisite regulatory and shareholder's approvals for the first two stage payments totaling RMB800,000,000 were obtained, only RMB740,000,000 has been received to date and the equity interests in Titan Quanzhou Shipyard have not yet been transferred to Grand China Logistics.

On 30 May 2012, Grand China Logistics commenced legal proceedings against the Company, Titan TQSL Holding Company Ltd ("Titan TQSL") and Titan Petrochemicals (Fujian) Ltd ("Titan Fujian") to seek an order for, amongst other things the termination of the sale and purchase agreement and repayment of an aggregate of RMB740,000,000 (equivalent to approximately HK$946,711,000) referred to above together with accrued interest.

On 10 June 2013, the Company received a notification that Grand China Logistics assigned all of its interests, rights and obligations in respect of the sale and purchase of the 95% equity interest in Titan Quanzhou Shipyard to GZE and on 26 December 2013 上海市第一中級人民法院 (Shanghai No.1 Intermediate People's Court) (the "Shanghai Intermediate Court") ordered discontinuation of proceedings. Further details are set out in note 22(e).

As at 31 December 2013 and 2012, the assets and liabilities related to the discontinued operation, shipbuilding and building of ship repair facilities, have been presented and, as a result, are presented in the consolidated statement of financial position as "Assets of a disposal group classified as held for sale" and "Liabilities directly associated with the assets classified as held for sale". The results for the years ended 31 December 2013 and 2012 are included in the consolidated statement of profit and loss as "Profit/Loss for the year from discontinued operations".

b) Onshore storage – TGIL Group

As disclosed in note 1.2 of this announcement, the joint control of the Company over the TGIL Group had been lost during the year ended 31 December 2012. The results, assets and liabilities and cash flows of the TGIL Group were, therefore, deconsolidated from the financial statements of the Group during the year ended 31 December 2012. The results of the TGIL Group for the six months ended 30 June 2012 is included in the consolidated statement of profit or loss as "Loss for the year from discontinued operations" for the year ended 31 December 2012 and details of the carrying amount of the deconsolidated assets and liabilities of the TGIL Group are disclosed in note 7.

4. **DISCONTINUED OPERATIONS (Continued)**

c) **Financial information on Titan Quanzhou Shipyard and the TGIL Group**

The combined results of Titan Quanzhou Shipyard and the TGIL Group for the year are presented below.

	Notes	**2013** **HK$'000**	2012 *HK$'000*
Revenue	*2*	**–**	89,577
Cost of sales		**–**	(166,766)
Gross loss		**–**	(77,189)
Other revenue		**879**	3,862
General and administrative expenses		**(95,868)**	(552,787)
Reversal of impairment/(impairment) of property, plant and equipment		**482,532**	(935,293)
Reversal of impairment/(impairment) of prepaid land/seabed lease payments		**16,976**	(165,619)
Impairment of goodwill		**–**	(570,618)
Impairment of prepayments, deposits and other receivables		**–**	(107,013)
Finance costs	*5*	**(155,267)**	(175,383)
Share of profits of associates		**–**	8,538
Loss on early redemption			
– TGIL preferred shares		**–**	(1,013,937)
– TGIL Notes Due 2014		**–**	(152,985)
Gain on deconsolidation of a jointly-controlled entity	*7*	**–**	182,293
Profit/(loss) before tax		**249,252**	(3,556,131)
Income tax (expenses)/credit		**(1,774)**	53,310
Profit/(loss) for the year from discontinued operations		**247,478**	(3,502,821)

The major classes of assets and liabilities of Titan Quanzhou Shipyard classified as held for sale as at 31 December 2013 and 2012 are as follows:

	2013 **HK$'000**	2012 *HK$'000*
Assets		
Property, plant and equipment	**2,545,476**	2,020,624
Prepaid land/seabed lease payments	**313,822**	306,019
Inventories	**44,789**	43,688
Prepayments, deposits and other receivables	**52,590**	51,625
Cash and cash equivalents	**227**	1,207
Assets of a disposal group classified as held for sale	**2,956,904**	2,423,163
Liabilities		
Interest-bearing bank loans	**699,670**	2,439,924
Accounts payable	**93,624**	88,335
Other payables and accruals	**486,839**	313,546
Amount due to the ultimate holding company	**85,769**	–
Loans from the ultimate holding company	**1,828,812**	–
Deferred tax liabilities	**60,432**	58,658
Liabilities directly associated with the assets classified as held for sale	**3,255,146**	2,900,463
Net liabilities directly associated with the disposal group	**(298,242)**	(477,300)

4. DISCONTINUED OPERATIONS (Continued)

c) Financial information on Titan Quanzhou Shipyard and the TGIL Group (Continued)

The combined net cash flows incurred by Titan Quanzhou Shipyard and the TGIL Group are summarised as follows:

	2013	2012
	HK$'000	*HK$'000*
Net cash inflow/(outflow) from:		
Operating activities	**(13,866)**	13,196
Investing activities	**–**	(225,506)
Financing activities	**12,886**	90,427
Net cash outflow	**(980)**	(121,883)

5. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on:		
Bank loans		
– wholly repayable within five years	**51,463**	129,373
– not wholly repayable within five years	**55,593**	150,243
Loan from the immediate holding company		
– wholly repayable within five years	**12**	30
– not wholly repayable within five years	**27**	–
Loans from the ultimate holding company		
– wholly repayable within five years	**407**	–
– not wholly repayable within five years	**55,462**	–
Fixed rate guaranteed senior notes ("Senior Notes Due 2012")	**70,191**	47,181
Guaranteed senior convertible notes ("Convertible Notes Due 2015")	**45,722**	125,756
Guaranteed senior payment-in-kind notes ("PIK Notes Due 2015")	**8,007**	7,753
Notes payable ("K-Line Notes Due 2013")	**5,293**	6,249
TGIL Notes Due 2014	**–**	8,693
Dividends on convertible preferred shares:		
Titan preferred shares	**14,608**	28,326
TGIL preferred shares	**–**	16,655
Other finance costs	**1,800**	3,901
Total interest expenses	**308,585**	524,160
Less: Interest capitalised	**–**	(100,931)
	308,585	423,229
Attributable to continuing operations	**153,318**	247,846
Attributable to discontinued operations *(note 4(c))*	**155,267**	175,383
	308,585	423,229

6. DECONSOLIDATION OF SUBSIDIARIES

During the year ended 31 December 2013, seventeen wholly-owned subsidiaries of the Group that were incorporated in Singapore have been placed into liquidation.

On 6 June 2013, Titan Resources Management (S) Pte. Ltd. and Titan Bunkering Pte. Ltd. were put into voluntary liquidation. On 28 June 2013, Titan Ocean Pte Ltd was ordered to be wound up by the High court of the Republic of Singapore under the provisions of the Companies Act (Cap 50).

Sino Mercury Pte. Ltd., Titan Aries Pte. Ltd., Titan Gemini Pte. Ltd., Titan Libra Pte. Ltd., Titan Mercury Shipping Pte. Ltd. and Titan Virgo Pte. Ltd. were put into voluntary liquidation on 19 July 2013. NAS Management Pte Ltd, Titan Chios Pte. Ltd., Titan Neptune Shipping Pte. Ltd., Titan Orient Lines Pte. Ltd., Titan Pisces Pte. Ltd., Titan Solar Pte Ltd, Sino Venus Pte. Ltd. and Far East Bunkering Services Pte Ltd were put into voluntary liquidation on 13 August 2013.

Accordingly, the Group had deconsolidated these subsidiaries as the Directors considered that the Group's control over these subsidiaries had been lost. The gain on deconsolidation of these subsidiaries and the net cash outflow arising on deconsolidation of subsidiaries were set out as below.

a) Gain on deconsolidation of subsidiaries

	Year ended 31 December 2013 ***HK$'000***
Accounts receivable	**77**
Prepayments, deposits and other receivables	**1,847**
Amounts due from fellow subsidiaries	**4,359,097**
Amounts due from deconsolidated fellow subsidiaries	**2,881,216**
Cash and cash equivalents	**630**
Accounts payable	**(132,997)**
Amount due to the intermediate holding company	**(113,064)**
Amounts due to fellow subsidiaries	**(5,300,502)**
Amounts due to deconsolidated fellow subsidiaries	**(2,896,711)**
Other payables and accruals	**(33,291)**
Net liabilities of deconsolidated subsidiaries attributable to the Group	**(1,233,698)**
Release of exchange fluctuation reserve	**(2,495)**
Gain on deconsolidation of subsidiaries	**(1,236,193)**
Impairment loss on amounts due from deconsolidated subsidiaries	**5,384,435**
	4,148,242

b) Net cash outflow arising on deconsolidation of subsidiaries

Cash and cash equivalents of deconsolidated subsidiaries	**(630)**

c) Amounts due to deconsolidated subsidiaries were included in the consolidated statement of financial position as follows:

Other payables and accurals	**4,222,659**
Liabilities directly associated with the assets classified as held for sale	**114,815**
	4,337,474

7. DECONSOLIDATION OF A JOINTLY-CONTROLLED ENTITY

a) Gain on deconsolidation of a jointly-controlled entity

	Year ended 31 December 2012 *HK$'000*
Property, plant and equipment	2,751,286
Prepaid land lease payments	425,068
Goodwill	414,955
Interests in associates	313,553
Deposits for construction in progress	4,044
Inventories	1,968
Accounts receivable	28,802
Prepayments, deposits and other receivables	22,852
Amounts due from holding companies	171,454
Tax receivable	28
Pledged deposits and restricted cash	15,886
Cash and cash equivalents	35,386
Interest-bearing bank loans	(1,846,772)
Accounts payable	(657)
Amounts due to holding companies	(164,249)
Other payables and accruals	(288,978)
Liability portion of convertible preferred shares	(1,426,535)
Liability portion of convertible unsecured notes	(410,484)
Deferred tax liabilities	(37,714)
Net assets of TGIL Group attributable to the Group	9,893
Release of exchange fluctuation reserve	234,524
Gain on redemption of convertible unsecured notes of the Group	119,074
Impairment loss on amounts due from a deconsolidated jointly-controlled entity	(161,412)
Net assets of TGIL Group attributable to the Group	(9,893)
Gain on deconsolidation of a jointly-controlled entity	182,293

b) Net cash outflow arising on deconsolidation of a jointly-controlled entity:

Cash and cash equivalents of a deconsolidated jointly-controlled entity	(35,386)

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting) the amounts as set out below. The disclosures presented in this note include those amounts charged/(credited) in respect of the discontinued operations.

	2013	2012
	HK$'000	*HK$'000*
Cost of inventories sold	**621,014**	922,287
Cost of services rendered	**52,380**	639,641
Depreciation	**40,146**	144,642
Amortisation of prepaid land/seabed lease payments	**12,618**	49,046
Amortisation of licenses	**–**	1,749
Bank interest income	**(3,063)**	(20,612)

9. INCOME TAX CREDIT

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

The prevailing tax rates in the jurisdictions where the subsidiaries are domiciled are as follows:

	2013	2012
Hong Kong	**16.5%**	16.5%
Singapore	**17.0%**	17.0%
Mainland China	**25.0%**	25.0%

Hong Kong

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the current and prior year.

Singapore

Under Section 13A of the Singapore Income Tax Act, charter and freight income derived from certain Singapore incorporated subsidiaries whose vessels are all sea-going Singapore flagged ships is exempted from corporate income tax in Singapore. No provision for taxation has been made on the estimated assessable profits generated from charter and freight income during the current and prior year.

Mainland China

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

9. INCOME TAX CREDIT (Continued)

	2013	2012
	HK$'000	*HK$'000*
Hong Kong:		
Current charge for the year	**–**	–
Elsewhere:		
Current charge/(credit) for the year	**121**	(6,386)
(Overprovision)/underprovision in prior years	**(561)**	1,103
	(440)	(5,283)
Deferred taxation	**–**	(2,571)
Total tax credit for the year	**(440)**	(7,854)

10. BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

From continuing and discontinued operations

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

	2013	2012
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**4,570,232**	3,977,144

	2013	2012
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**7,820,554,682**	7,820,554,682

Diluted loss per share for the years ended 31 December 2013 and 2012 were the same as basic loss per share.

No adjustments have been made to the basis loss per share amounts presented for the years ended 31 December 2013 and 2012 as the share options, the Convertible Notes Due 2015, warrants and convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

10. BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (Continued)

From continuing operations

The calculation of basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the denominators as detailed above and the following data:

	2013	2012
	HK$'000	*HK$'000*
Loss for the year from continuing operations	**4,817,710**	474,323

From discontinued operations

Basic and diluted earnings per share for discontinued operations is HK3.16 cents per share (2012: loss of HK44.79 cents per share), based on the profit for the year from discontinued operations attributable to owners of the Company of approximately HK$247,478,000 (2012: loss of HK$3,502,821,000) and the denominators as detailed above for both basic and diluted earnings/(loss) per share.

No adjustment had been made to the basic earnings/(loss) per share for discontinued operations for the years ended 31 December 2013 and 2012 as the share options, the Convertible Notes Due 2015, warrants and convertible preferred Shares outstanding had an anti-dilutive effect on the basis earnings/(loss) per share amounts presented.

11. ACCOUNTS RECEIVABLE

The Group normally allows credit terms to well-established customers ranging from 30 to 90 days. Efforts are made to maintain strict control over outstanding receivables and overdue balances are reviewed regularly by senior management. On this basis and the fact that the Group's accounts receivable relate to a large number of diversified customers, there are no significant concentrations of credit risk. Accounts receivable are non-interest-bearing.

An aged analysis of accounts receivable as at the end of the reporting period, based on the dates of recognition of the sales and net of provisions, is as follows:

	2013	2012
	HK$'000	*HK$'000*
1 to 3 months	**181**	1,345
4 to 6 months	**–**	231
7 to 12 months	**–**	261
	181	1,837

12. ACCOUNTS PAYABLE

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

An aged analysis of the accounts payable as at the end of the reporting period, based on the date of receipt of goods purchased, is as follows:

	The Group	
	2013	2012
	HK$'000	*HK$'000*
1 to 3 months	**–**	88,062
4 to 6 months	**–**	44,434
7 to 12 months	**19**	82,036
Over 12 months	**351,389**	187,943
	351,408	402,475

13. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals is an amount of HK$4,222,659,000 in respect of amounts due to deconsolidated subsidiaries. As at 31 December 2012, RMB740,000,000 (equivalent to approximately HK$918,304,000)) in respect of the partial receipt of the disposal consideration of Titan Quanzhou Shipyard as further detailed in notes 6 and 22 and the partial receipt of RMB740,000,000 (equivalent to approximately HK$946,711,000) has been presented as amount due to the ultimate holding company as at 31 December 2013.

14. FIXED RATE GUARANTEED SENIOR NOTES (THE "SENIOR NOTES DUE 2012")

Pursuant to an indenture dated 17 March 2005 entered into by the Company, together with certain subsidiaries of the Company, which guarantee the issue of the Senior Notes Due 2012 (the "Subsidiary Guarantors") with Deutsche Bank Trust Company Americas as the original trustee and the trustee subsequently changed to the Bank of New York Mellon in 2010, the Company issued the Senior Notes Due 2012 in the aggregate principal amount of US$400 million (equivalent to approximately HK$3,120 million) with directly attributable transaction costs of HK$90,709,000. The Senior Notes Due 2012 were due on 18 March 2012 with a lump sum repayment, unless redeemed earlier pursuant to specified terms. The Senior Notes Due 2012 bear interest at the rate of 8.5% per annum, payable semi-annually in arrears on 18 March and 18 September each year, commencing on 18 September 2005, and are listed on the Singapore Exchange Securities Trading Limited.

The obligations of the Company under the Senior Notes Due 2012 are guaranteed by the Subsidiary Guarantors and the pledge of shares of certain Subsidiary Guarantors. The list of subsidiaries comprising the Subsidiary Guarantors and the shares pledged are more fully described in the Company's announcement dated 11 March 2005 together with details of the principal terms of the Senior Notes Due 2012.

14. FIXED RATE GUARANTEED SENIOR NOTES (THE "SENIOR NOTES DUE 2012") (Continued)

As at 31 December 2013, the effective interest rate on the Senior Notes Due 2012 was 8.5% per annum. On the maturity date, 19 March 2012, the Company was unable to repay overdue principal and interest on the Senior Notes Due 2012 in the amount of US$105,870,000 (equivalent to approximately HK$825,786,000) and US$4,499,000 (equivalent to approximately HK$35,092,000) respectively. The outstanding principal in respect of the Senior Notes Due 2012 as at 31 December 2013 and 2012 was US$105,870,000 (equivalent to approximately HK$825,786,000), while the fair value of the Senior Notes Due 2012 as at 31 December 2013 and 2012 was US$6,222,000 (equivalent to approximately HK$48,515,000) and US$28,453,000 (equivalent to approximately HK$221,933,000), respectively.

15. GUARANTEED SENIOR CONVERTIBLE NOTES (THE "CONVERTIBLE NOTES DUE 2015")

The Company issued US$78,728,000 (equivalent to approximately HK$614,078,000) aggregate principal amount of the Convertible Notes Due 2015 on 28 July 2010 (27 July 2010, New York City Time) in exchange for tendered the Senior Notes Due 2012. The Convertible Notes Due 2015 are due on 13 July 2015 with a single repayment at 151.621% of their principal amount, unless earlier redeemed, repurchased or purchased by the Company or converted. The Convertible Notes Due 2015 bear no interest, and were listed on the Singapore Exchange Securities Trading Limited. Holders of the Convertible Notes Due 2015 are entitled to convert their Convertible Notes Due 2015 with a minimum principal amount of US$1,000 or integral multiples of US$500 in excess thereof based on an initial conversion rate of 10,915 conversion shares per US$1,000 in principal amount of the Convertible Notes Due 2015, subject to adjustments. This implies an initial conversion price (subject to adjustments) of US$0.0916 (equivalent to approximately HK$0.7145) per conversion share. Conversion may occur on any day prior to (and including) the seventh business day prior to the maturity date of the Convertible Notes Due 2015.

Pursuant to the terms of the Convertible Notes Due 2015 indenture, the obligations of the Company under the Convertible Notes Due 2015 are guaranteed by certain subsidiary guarantors and a pledge of the subsidiary guarantors shares. Details of the principal terms of the Convertible Notes Due 2015 are more fully described in the Company's announcement dated 9 June 2010.

During the year ended 31 December 2013 and 2012, none of the Convertible Notes Due 2015 were converted into ordinary shares.

The Convertible Notes Due 2015 comprise a financial liability at amortised cost and an embedded derivative. The effective interest rate on the Convertible Notes Due 2015 was 12.22% per annum.

On 6 September 2012, the winding-up petition at the Bermuda court remained undismissed or unstayed for a period of 60 consecutive days which, in turn, constituted an event of default under the terms of the Convertible Notes Due 2015 as set out in note 22(b).

At 31 December 2013, the outstanding principal of the Convertible Notes Due 2015 was US$47,960,000 (equivalent to approximately HK$374,088,000) (2012: US$47,960,000 (equivalent to approximately HK$374,088,000)).

16. GUARANTEED SENIOR PAYMENT-IN-KIND NOTES (THE "PIK NOTES DUE 2015")

The Company issued US$14,193,000 (equivalent to approximately HK$110,705,000) aggregate principal amount of the PIK Notes Due 2015 on 28 July 2010 (27 July 2010, New York City Time) in exchange for tendered the Senior Notes Due 2012. The PIK Notes Due 2015 are due on 13 July 2015 with a single repayment of the principal, unless earlier repurchase pursuant to the terms of the PIK Notes Due 2015 indenture. The PIK Notes Due 2015 bear interest at the rate of 8.5% per annum payable semi-annually in arrears commencing on 13 January 2011 either by cash or in the form of additional PIK Notes Due 2015, and are listed on the Singapore Exchange Securities Trading Limited.

Pursuant to the terms of the PIK Notes Due 2015 indenture, the obligations of the Company under the PIK Notes Due 2015 are guaranteed by certain subsidiary guarantors and carry a pledge of the shares of such subsidiaries. Details of the principal terms of the PIK Notes Due 2015 are more fully described in the Company's announcement dated 9 June 2010.

On 6 September 2012, the winding-up petition at the Bermuda court remained undismissed or unstayed for a period of 60 consecutive days which, in turn, constituted an event of default under the terms of the PIK Notes Due 2015 as set out in note 22(b).

The PIK Notes Due 2015 are carried at amortised cost with an effective interest rate of 8.5% per annum (2012: 11.03%). At 31 December 2013 and 2012, the outstanding principal of the PIK Notes Due 2015 was US$12,364,095 (equivalent to approximately HK$96,439,942) and US$11,376,541 (equivalent to approximately HK$88,737,000), respectively.

17. CONVERTIBLE PREFERRED SHARES

In 2007, the Company issued 555,000,000 Titan preferred shares at the stated value of HK$0.56 per share and TGIL, a jointly-controlled entity, issued HK$780,000,000 (US$100,000,000) TGIL preferred shares. The fair values of the liability portion of the Titan preferred shares and the TGIL preferred shares were estimated at the issuance date. The residual amount of the Titan preferred shares and the TGIL preferred shares were assigned as the equity portion and included in shareholders' equity of the Company and contingently redeemable equity in the jointly-controlled entity, respectively.

The TGIL preferred shares were redeemable on the occurrence of a Redemption Event and at the election of the holders of the TGIL preferred shares (provided that TGIL's warrants are not exercised) at a price equal to the higher of 175% of their initial subscription price or the market value (to be determined by an independent investment bank) of TGIL's ordinary shares into which those the TGIL preferred shares being redeemed can be converted (subject to a cap of HK$2,730 million upon the full redemption of the TGIL preferred shares), as if they were converted on the date of the notice of redemption, together with any accrued and unpaid dividends.

On 2 May 2012, SSL exercised its subscription rights under the TGIL warrants, pursuant to which SSL held 50.1% of the aggregate number of the TGIL ordinary shares and preferred shares immediately after the exercise of the TGIL warrants.

On 18 June 2012, the Company received a notice from SSL to exercise its redemption rights under the terms of the TGIL preferred shares. This resulted to a loss on early redemption and the equity portion of the TGIL preferred shares were transferred to the accumulated losses.

In addition, as described in note 1.2, the TGIL preferred shares were derecognised upon the deconsolidation of the jointly-controlled entity.

17. CONVERTIBLE PREFERRED SHARES (Continued)

On 4 July 2012, the Company received from SPHL a notice to redeem all of the Company's outstanding 555,000,000 preferred shares held by it at a redemption amount equal to the notional value of the Company's preferred shares (being HK$310,800,000) together with any accrued and unpaid dividends. As a result, the equity portion of the Titan preferred shares were transferred to the accumulated losses upon redemption in the prior year.

18. NOTES PAYABLE (THE "K-LINE NOTES DUE 2013")

On 5 August 2008, the Group signed an agreement with Kawasaki Kisen Kaisha Ltd ("K-Line") for K-Line to purchase notes for US$25 million (equivalent to approximately HK$195 million) with an interest rate of 1% per annum. Prior to 31 March 2013, at the sole option of the Company, the notes were exchangeable for up to 5% of the issued share capital of one of its subsidiaries, TQSL Holding, which holds Titan Quanzhou Shipyard in Mainland China.

At maturity, the notes are required to be repaid in full in cash equal to the greater of (i) 110% of the principal amount plus all accrued but unpaid interest; and (ii) the fair market value of 5.5% of the issued share capital of TQSL Holding on a fully diluted basis (the "Applicable Redemption Amount"). The Group has the right to redeem the notes in full prior to maturity date at the Applicable Redemption Amount, while K-Line has a right of early redemption at the Applicable Redemption Amount in the event of a change of control.

The K-Line Notes Due 2013 comprised a financial liability at amortised cost and an embedded derivative. As at 31 December 2012, the fair value of the embedded derivatives asset was HK$176,049,000.

On 31 March 2013, the Company did not redeem the K-Line Notes Due 2013 in full at cash at the applicable redemption amount.

The loss on derecognition of derivative financial instruments not qualifying as hedges of HK$176,049,000 represented the derecognition of derivative financial instruments of the K-Line Notes Due 2013 when it was due on 31 March 2013.

19. CONVERTIBLE UNSECURED NOTES (THE "TGIL NOTES DUE 2014")

On 14 July 2009, the Company, Titan Oil Storage Investment Limited ("TOSIL"), Warburg Pincus and TGIL entered into an agreement by which TOSIL and Warburg Pincus became entitled to provide, pro rata to their shareholdings in TGIL, funding of up to HK$312,600,000 (equivalent to approximately US$40,100,000) through the subscription of the TGIL Notes Due 2014.

Interest was to accrue at 1% per annum, but if TOSIL did not exercise its option to subscribe for the notes, interest at 5% per annum was to be charged from the date on which TOSIL's option to subscribe expires. The notes were to mature five years after the date of issue. Holders of the notes were entitled to convert the whole of the notes into TGIL's shares at the initial conversion price of HK$1,953.90 (equivalent to US$250.50), subject to adjustments at any time from the first anniversary of the date of issue.

On the same date, 14 July 2009, Warburg Pincus exercised its option to subscribe for the TGIL Notes Due 2014 in the principal amount of HK$156,000,000 (equivalent to US$20,000,000). The fair values of the liability portion and embedded derivative of the TGIL Notes Due 2014 were estimated at the issuable date. The residual amount of HK$85,015,000 of the TGIL Notes Due 2014 was assigned as the equity portion and was included in the equity portion of the TGIL Notes Due 2014 in the jointly-controlled entity.

19. CONVERTIBLE UNSECURED NOTES (THE "TGIL NOTES DUE 2014") (Continued)

On 13 January 2011, TOSIL exercised its right to subscribe for the TGIL Notes Due 2014 in the principal amount of HK$156,600,000 (equivalent to approximately US$20,100,000) and the subscription was completed when the relevant TGIL Notes Due 2014 were issued on 21 January 2011. Further details are included in the Company's announcement dated 13 January 2011.

On 18 June 2012, the Company received from SSL a notice to exercise its redemption right under the terms of the TGIL Notes Due 2014. In addition, the TGIL Notes Due 2014 were derecognised upon the deconsolidation of the jointly-controlled entity in note 1.2.

20. SHARE CAPITAL

Shares

	Group			
	2013		2012	
	Number of shares	**Nominal value of shares** *HK$'000*	Number of shares	Nominal value of shares *HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each at 31 December	**14,445,000,000**	**144,450**	14,445,000,000	144,450
Convertible preferred shares of HK$0.01 each at 31 December	**555,000,000**	**5,550**	555,000,000	5,550
Issued and fully paid:				
Ordinary shares of HK$0.01 each at 1 January and 31 December	**7,820,554,682**	**78,206**	7,820,554,682	78,206
Convertible preferred shares of HK$0.01 each at 1 January and 31 December	**555,000,000**	**5,550**	555,000,000	5,550

Notes:

a) During the years ended 31 December 2013 and 2012, none of the Convertible Notes Due 2015 were converted into ordinary shares.

b) All new ordinary shares rank pari passu in all respects with other ordinary shares in issue.

21. GUARANTEES

As at 31 December 2013, guarantees with aggregated amounts of HK$346,978,000 (31 December 2012: HK$314,478,000) were given by the Company to (i) a bank for a loan to a subsidiary of the Group, (ii) shipowners for charter hire expenses to a subsidiary of the Group and (iii) the K-Line Notes Due 2013.

At the end of the reporting period, an amount of HK$346,978,000 (31 December 2012: HK$102,117,000) has been recognised in the Company's statement of financial position.

As at 31 December 2012 guarantees aggregated RMB44,000,000 (equivalent to approximately HK$54,602,000) had been provided to a deconsolidated jointly-controlled entity by the Group for a loan. As a result, an amount of HK$2,361,000 has been recognised in the consolidated statement of financial position as liabilities. This guarantee had been released during the year upon settlement.

Other than those as disclosed above, the Group and the Company had no other material guarantees outstanding as at 31 December 2013 and 2012.

22. CONTINGENT LIABILITIES

a) Arbitrations

Arbitrations between KTL Mayfair Inc. ("Mayfair") and the Company and the Arbitrations between Mayfair and Titan Storage Limited ("TSL")

Mayfair served notices of appointment of arbitrator on both TSL and the Company on 16 July 2013.

The claims relate to disputes between the Company/TSL and Mayfair in relation to the alleged breaches by TSL of a bareboat charter party contract executed in 2010 (the "Charterparty"), including but not limited to the Company/TSL's failure to pay hire and contractual interest on hire; and the alleged failure to insure the Mayfair vessel. The total amount of Mayfair's claim is US$23,021,040.61 and SG$5,296,30. TSL and the Company have also counterclaimed against Mayfair for US$20,755,188.89.

The proceedings between the Company and Mayfair are currently at the stage of exchanging evidence.

Arbitration between the Company and Edinburgh Navigation SA ("Edinburgh"); Arbitration between the Company and Camden; Arbitration between Edinburgh and TSL and Arbitration between Camden and TSL

The Company served notices of arbitration on Edinburgh and Camden on 20 July 2013. Edinburgh and Camden subsequently served notices of appointment of an arbitrator on TSL on 26 November 2013.

22. CONTINGENT LIABILITIES (Continued)

a) Arbitrations (Continued)

The parties involved in the aforesaid arbitrations are (i) the Company, TSL and Edinburgh and (ii) the Company, TSL and Camden. The claims relate to disputes arising out of the charterparty agreements (the "Charterparty Agreements") executed in 2010 entered into between TSL and Edinburgh/Camden in relation to the vessels MT Titan Aries/MT Titan Venus (the "Vessels"). In 2012, Frontline Management SA ("Frontline") as agents of the Vessels demanded the Vessels to be re-delivered sooner. TSL agreed to such redelivery relying on Frontline's representation that Frontline would arrange a suitable time charter arrangement such that TSL's oil storage business would not be affected (the "New Arrangement"). However, Frontline, later refused to carry on with the New Arrangement. The Company is now claiming that the conduct of Edinburgh/Camden has resulted in TSL not being able to perform its oil storage business and suffered loss as a result. The total amount of claim against each of Edinburgh and Camden is US$20,755,188.89. Edinburgh and Camden have also counterclaimed against the Company and TSL for US$7,449,911.02 and US$6,425,312.50 respectively.

The parties are currently at the stage of exchanging evidence.

b) Bermuda Proceedings

On 4 July 2012, the Company received from SPHL a notice to redeem all of the outstanding 555,000,000 Titan preferred shares held by it at a redemption amount equal to the notional value of the Titan preferred shares (being HK$310.8 million) together with any accrued and unpaid dividends. Redemption monies are payable 30 business days after the date of the redemption notice.

On 9 July 2012 (Bermuda time), SPHL served on the Company the SPHL Petition at the Bermuda Court for an order, amongst other things, to wind up and to appoint a provisional liquidator against the Company. Further details in respect of the above are included in the Company's announcement dated 12 July 2012.

The Company made an application to the Bermuda Court to strike out the SPHL Petition on the grounds that SPHL is not a creditor or contributory of the Company and/or has no interest in such a winding up of the Company and/or the proceedings are an abuse of process. The strike out application was heard in the Bermuda Court on 1 May 2013 (Bermuda time).

On 10 May 2013 (Bermuda time), the Bermuda Court handed down its ruling in relation to the Company's application to strike out the SPHL Petition and found that it would exercise its discretion to strike out the SPHL Petition (the "10 May Decision"). The Bermuda Court further ordered that the actual striking out of the SPHL Petition be adjourned to 23 July 2013 in order to facilitate the hearing of an application by Camden to be substituted as the petitioner (the "Camden Substitution Application"). Further details in respect of the above are included in the Company's announcement dated 13 May 2013.

22. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

Camden claimed that TSL, a subsidiary of the Company, failed to pay certain hiring charges to Camden pursuant to a bareboat charter party contract and that the Company was liable to Camden for such hiring charges plus interest thereon in the sum of approximately US$6,853,032 (up to 16 April 2013) pursuant to a deed of guarantee issued by the Company in favour of Camden.

Subsequently, SPHL made an application to the Bermuda Court for leave to appeal the 10 May Decision (the "SPHL Leave Application"). Further details in respect of the above are included in the Company's announcement dated 25 July 2013.

On 19 July 2013 (Bermuda time), the Company made an application to the Bermuda Court seeking to (a) stay the Petition pending arbitration between the Company and Camden or (b) strike out the Petition on the basis that it was an abuse of process (the "Titan Stay Application").

The Camden Substitution Application, the SPHL Leave Application and the Titan Stay Application were all heard by the Bermuda Court on 23 July 2013 (Bermuda time). At the hearing, the Bermuda Court made the following orders:

i) the Petition by SPHL was struck out, and the Company was awarded the costs of the petition against SPHL from the date upon which its skeleton argument for the Striking Out Application was filed;

ii) SPHL was granted leave to appeal the 10 May Decision;

iii) the Titan Stay Application was dismissed;

iv) Camden was allowed to be substituted as the petitioner in place of SPHL and granted leave to amend the Camden Petition, Camden was also awarded its costs against the Company of the Camden Substitution Application; and

v) the hearing of the Camden Petition was adjourned to 16 August 2013.

Further details in respect of the above are included in the Company's announcement dated 25 July 2013.

On 29 July 2013 (Bermuda time), Camden made an application to the Bermuda Court by way of an ex parte summons (on notice) seeking an interim injunction (the "Interim Injunction") restraining the Company from, among others, taking any action or consenting to any action to be taken by any subsidiary to transfer any rights, titles or interests in relation to certain assets and agreements of the Company, without the approval of the Bermuda Court or 7 days' written notice to Camden.

Camden also made an application for the appointment of provisional liquidators in the Company on 6 August 2013 (Bermuda time) (the "PLs Application").

22. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

The Company made an application with the Bermuda Court on 6 August 2013 (Bermuda time) for leave to appeal the judgment of the Bermuda Court dated 23 July 2013 in relation to the substitution of Camden as the petitioner in place of SPHL on the grounds of a dispute as to Camden's claim (the "Leave to Appeal Application").

The winding up petition against the Company by KTL Camden Inc. (the "Camden Petition"), the application for the Interim Injunction, the PLs Application and the Leave to Appeal Application were all heard by the Bermuda Court on 16 August 2013 (Bermuda time) and no order was made for the appointment of provisional liquidators or to wind up the Company at that hearing. The following orders were made by the Bermuda Court:

i) until the first hearing in the matter following the hearing of 16 August 2013, an injunction was granted restraining the Company, whether alone or in concert with others, acting through its directors, officers, employees, servants, agents or otherwise, from (i) disposing of any property, including things in action, belonging to the Company, save the payment of salaries, rent, utilities, professional fees or other similar payments in the ordinary course of its business; or (ii) consenting to or approving the disposal of property, including things in action, belonging to any subsidiary (as defined in section 86 of the Companies Act 1981) of the Company, without the approval of the Bermuda Court or without 7 days' written notice of the same to Camden (the "Interim Injunction Order"); and

ii) the Company shall pay Camden's costs of the application for the Interim Injunction.

Further details in respect of the above are included in the Company's announcement dated 20 August 2013.

On 30 August 2013, the Bermuda Court ordered that the Company and Camden to agree on setting up an informal committee of creditors (the "Informal Committee") to facilitate information exchange between the Company and its creditors, failing which the Bermuda Court would make an order in this regard. No agreement was reached between the Company and Camden and hence, the Bermuda Court made an order on 10 September 2013 for the set up of the Informal Committee.

On 18 October 2013 (Bermuda time), the Bermuda Court ordered the appointment of Mr. Garth Calow and Ms. Alison Tomb, both of PricewaterhouseCoopers, as the JPLs of the Company with the powers as set out in the Company's announcement dated 22 October 2013.

The Company made an application for a stay, and filed a motion for leave to appeal, in respect of the order of the Bermuda Court appointing JPLs, both of which were rejected by the Bermuda Court at a hearing on 5 November 2013. Further applications for stay and leave to appeal were made by the Company.

On 12 December 2013, the Company made an application to the Bermuda Court for the discharge of the JPLs appointed to the Company on 18 October 2013 (the "Discharge Application").

22. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

The Camden Petition and the Discharge Application were heard by the Bermuda Court on 13 December 2013 (Bermuda time) and the following orders were made by the Bermuda Court:

i) the Camden Petition and the Discharge Application be adjourned to 31 January 2014 (Bermuda time);

ii) costs of the hearing be awarded to the JPLs to be paid out of the assets of the Company on an indemnity basis; and

iii) the costs of hearing of Camden as the petitioner be reserved.

For the purposes of being able to properly advise the Bermuda Court on the feasibility of the restructuring proposals, the Bermuda Court has required the Company to consult and agree an extension of the powers for the JPLs (the "Extension of the JPLs' Powers") and report back to the Bermuda Court accordingly. Further details in respect of the above are included in the Company's announcement dated 18 December 2013.

On 14 February 2014, the order made by the Bermuda Court on 18 October 2013 (Bermuda time) in relation to the appointment of the JPLs of the Company was varied as follows:

(i) the JPLs would have the following powers (among others):

(1) to consult with the Company in respect of, and review, on an ongoing basis, all issues relating to feasibility of the restructuring proposal of the Company or any variation thereof, including with respect to the necessary steps which need to be taken, and conditions to be met, in order for such restructuring proposal to be successfully implemented;

(2) to consider the terms of any scheme of arrangement proposed by the Company under the provisions of section 99 of the Companies Act 1981 of Bermuda and, if so advised, to report to the Bermuda Court thereon at or before the hearing of the application to convene a scheme meeting. In this regard the Company shall at least seven days prior to any application being made to the Bermuda Court to convene a scheme meeting provide to the JPLs a final draft of the Company's application to convene a scheme meeting;

(3) to review the financial position of the Company and in particular to assess the feasibility of any restructuring proposal of the Company;

(4) to monitor the continuation of the business of the Company by the existing Board;

(5) to monitor, consult with and otherwise liaise with the creditors and shareholders of the Company in determining whether any restructuring proposal will be successfully implemented; and

(6) to see, review and copy books, papers, writings, documents and records in the possession or control of the Company situate in Bermuda or in any other jurisdiction, solely insofar as reasonably necessary to permit the JPLs to exercise and discharge their powers and functions;

22. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

(ii) save as specifically set out in the order, the JPLs will have no general or additional powers or duties with respect to the property or records of the Company, and the Board will continue to manage the Company's affairs in all respects and exercise the powers conferred upon it by the Company's Memorandum of Association and Bye-laws, provided always that, should the JPLs consider at any time that the Board is not acting in the best interests of the Company and its creditors, the JPLs shall have the power to report the same to the Bermuda Court and seek such directions from the Bermuda Court as the JPLs are advised are appropriate;

(iii) the JPLs shall be entitled to receive advance materials, receive advance notice of, and, at the expense of the Company, attend all Board meetings and such meetings of management as the JPLs request;

(iv) the Company shall at all times comply with the Funding Terms referred to in the letter, dated 13 February 2014, from the JPLs to the Company; and

(v) the Company shall procure that any necessary instructions are given to the liquidator of TGIL (the "Liquidator") to ensure that any dividends payable by the Liquidator after the date of the order be paid into an account to be nominated by the JPLs to be held in such account for the benefit of creditors until otherwise directed by the Bermuda Court.

Further details in respect of the above are included in the Company's announcement dated 18 February 2014.

On 28 February 2014 (Bermuda time), at which the Bermuda Court ordered a further adjournment of the Camden Petition to 7 March 2014 (Bermuda time) to allow GZE to consider if it would be willing to fund the costs of the Company's debt restructuring on an unsecured basic, and if GZE was not willing to do so, the Company would be wound up. Further details in respect of the above are included in the Company's announcement dated 4 March 2014 and 6 March 2014 respectively.

At the hearing held on 7 March 2014 (Bermuda time), a draft unsecured loan agreement (the "Loan Agreement") to be entered into between the Company and Fame Dragon, in relation to the provision of an unsecured loan by Fame Dragon to the Company was presented to the Bermuda Court. The Bermuda Court ordered that:

(a) the Company be permitted to enter into the Loan Agreement with Fame Dragon;

(b) the Camden Petition be adjourned to 17 April 2014; and

(c) the Company and the JPLs of the Company be awarded 90% of the costs of the hearing as against Camden in any event of the cause.

Further details in respect of the above are included in the Company's announcement dated 11 March 2014.

At the hearing held on 17 April 2014 (Bermuda time), the Bermuda Court ordered a further adjournment of the Camden Petition to 16 May 2014.

Further details in respect of the above are included in the Company's announcement dated 22 April 2014.

22. CONTINGENT LIABILITIES (Continued)

c) BVI Proceedings

On 18 June 2012, the Company received from SSL two notices to exercise its redemption rights under the TGIL preferred shares and the TGIL Notes Due 2014, and SSL applied for an order to appoint joint and several liquidators for, and to liquidate TGIL.

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

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

The appeal with 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 Company, TGIL, TOSIL and SSL have been in negotiations on the BVI proceedings, however, up to the date of this announcement, there is no assurance that a settlement on the BVI proceedings will be reached.

d) Hong Kong Proceedings

On 19 July 2012, the Company received from SSL a writ of summons (the "Writ") issued in the Court of First Instance in the High Court of the Hong Kong Special Administrative Region (the "Hong Kong Court") with an indorsement of claim against the Company and other parties including its wholly-owned subsidiary, TOSIL, and two directors of the Company. SSL alleged in the Writ among other things (a) breach of the amended and restated investor rights agreement (the "IRA") in respect of TGIL dated 17 July 2009; and (b) misrepresentations regarding the financial position of TGIL, and its subsidiaries. SSL seek, amongst other remedies, specific performance of the IRA, injunctive relief, declaratory relief, an indemnity, damages, interest and costs. Further details in respect of the above are included in the Company's announcement dated 20 July 2012.

On 14 September 2012, the Company received a statement of claim filed by SSL in connection with the Writ. Further details in respect of the above are included in the Company's announcement dated 19 September 2012.

On 10 November 2012, the Hong Kong Court, amongst other things, stayed the proceedings for a period of 90 days which was then subsequently extended until 15 March 2013.

On 15 November 2013, SSL was ordered by the Hong Kong Court to provide security in various sums for the Defendants' costs of the proceedings. SSL has yet to comply with this order and the proceedings are presently stayed. The Hong Kong proceedings will continue in accordance with the rules of the Hong Kong Court or as otherwise ordered by the Hong Kong Court.

The Company, TOSIL and SSL have been in negotiations with a view to reaching a settlement relating to the Writ, however, up to the date of this announcement, there is no assurance that a settlement on the Writ will be reached.

22. CONTINGENT LIABILITIES (Continued)

e) PRC Proceedings

On 11 December 2010, the Company entered into (i) a sale and purchase agreement with Titan TQSL, Titan Fujian and Grand China Logistics in relation to the disposal of its 95% equity interest in Titan Quanzhou Shipyard (the "GCL Sale and Purchase Agreement"); (ii) a subscription agreement in relation to the issue of subscription shares to Grand China Logistics; and (iii) a management agreement in relation to the engagement of the Company to manage the business operations of Titan Quanzhou Shipyard for the term commencing from the completion of the GCL sale and purchase agreement until 31 December 2012. The consideration for the proposed disposal was RMB1,865,670,000 or a maximum reduced consideration of RMB1,665,670,000 if Titan Quanzhou Shipyard's profit targets for the two years ending 31 December 2012 were not met. Pursuant to a supplemental agreement signed in 2011, such net profit targets were cancelled and the consideration for the proposed disposal was fixed at RMB1,665,670,000 (equivalent to approximately HK$2,054,139,000).

While the requisite regulatory and shareholder's approvals for the first two stage payments totaling RMB800,000,000 were obtained, to date, only RMB740,000,000 has been received and, the equity interests of Titan Quanzhou Shipyard have not been transferred to Grand China Logistics. Further details in respect of the above are included in the Company's announcement dated 18 March 2012.

On 30 May 2012, Titan Fujian received a summons issued by the Shanghai Intermediate Court with Grand China Logistics as plaintiff and the Company and two wholly-owned subsidiaries of the Company, Titan TQSL and Titan Fujian, as defendants, that sought an order for, amongst other things, the termination of the GCL Sale and Purchase Agreement and repayment to Grand China Logistics of an aggregate of RMB740,000,000 together with accrued interest or for the Company to fulfil its obligation under its guarantee to repay such amount. It has also come to the notice of the Company that a restriction might have been imposed on any transfer of the Group's equity interest in Titan Quanzhou Shipyard. As the Company was set up out of the PRC jurisdictions, the Company failed to provide the requested notarised litigation documents to the PRC Court, therefore, the Group has not yet directly received any court order or notice issued under the provisions of applicable law. Further details in respect of the above are included in the Company's announcement dated 12 July 2012.

On 18 June 2012, the Company, Titan TQSL and Titan Fujian filed an objection to the jurisdiction of the Shanghai Intermediate Court and requested that the matter be transferred to the 上海市高級人民法院 (Shanghai Higher People's Court).

Titan Fujian as plaintiff on 23 August 2012 filed with the Shanghai Intermediate Court a statement of counter-claims against Grand China Logistics as defendant to seek, amongst other remedies, specific performance on the GCL Sale and Purchase Agreement and the supplemental agreements for Grand China Logistics to fulfil its payment obligations thereunder and related damages and costs. The Company and Titan TQSL were to join in the action after they had completed the notarisation of documents as required by the PRC courts for offshore incorporated plaintiffs. Further details in respect of the above are included in the Company's announcement dated 29 August 2012, respectively.

On 5 December 2012, the Company received a notice of objection from the Shanghai Higher People's Court that the application of objection to the jurisdiction dated 28 November 2012 was dismissed, the Company had a 30 day period from 28 November 2012 to file an appeal against the ruling on jurisdiction. Further details in respect of the above are included in the Company's announcement dated 17 December 2012.

22. CONTINGENT LIABILITIES (Continued)

e) PRC Proceedings (Continued)

On 15 March 2013, the Shanghai Higher People's Court made a final order on the issue of jurisdiction that upheld the order of jurisdiction made by the Shanghai Intermediate People's Court.

On 10 June 2013, the Company received a notification from Grand China Logistics dated 7 June 2013 informing the Company that it had entered into an assignment in respect of the Sale and Purchase of the 95% equity interest in Titan Quanzhou Shipyard with GZE pursuant to which it would transfer to GZE all of its interests, rights and obligations in respect of the Sale and Purchase Agreement and the subsequent supplemental agreements dated 24 July 2011 in relation to the Disposal (the "Assignment") and, on the basis that none of the terms of the GCL Sale and Purchase Agreement (or any of its supplemental agreements) would be changed as a result of the Assignment, the Company did not object to the Assignment on 19 June 2013. Based on PRC legal advice, the Company understood that the Assignment was subject to the approval of Fujian Department of Foreign Trade and Economic Cooperation Bureau, being the approval authority which originally approved the Sale and Purchase Agreement (the "Original Approval Authority"). Further details in respect of the above are included in the Company's announcement dated 10 June 2013 and 17 July 2013, respectively.

In addition, the Company had also been notified that the Shanghai Intermediate Court, on 23 December 2013, also ordered the discontinuation of the proceedings in relation to the counterclaim lodged by Titan Fujian against Grand China Logistics on the grounds that, following the Assignment, Grand China Logistics was no longer the appropriate defendant for the counterclaim as it had transferred all its interests, rights and obligations in respect of the GCL Sale and Purchase Agreement and the supplemental agreements thereto to GZE. The litigation between Titan Fujian and Grand China Logistics was resolved on 23 December 2013.

On 26 December 2013, the Shanghai Intermediate Court approved the withdrawal of the claim initiated by Grand China Logistics against the Company, Titan TQSL and Titan Fujian in the PRC in relation to the GCL Sale and Purchase Agreement.

Notwithstanding the discontinuation of the proceedings (both with respect to the claim brought by Grand China Logistics and the counterclaim brought by Titan Fujian) in the Shanghai Intermediate Court referred to above, any disposition of the assets of Titan Quanzhou Shipyard remain subject to, among other things, GZE's rights and interests in the indebtedness (the "Indebtedness") owned by Titan Quanzhou Shipyard to the Fuzhou branch of Shanghai Pudong Development Bank Co., Ltd. and the collateral and guarantee granted in respect of the Indebtedness (the "Securities"). Titan Quanzhou Shipyard had been in default on its payment obligations under the Indebtedness and the Securities and liable to be enforced by GZE. Further details in respect of the above are included in the Company's announcement dated 14 January 2014.

Other than the contingent liabilities as disclosed above, the Group and the Company had no other material contingent liabilities as at 31 December 2013 and 31 December 2012.

23. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the Announcement, the events that the Group had after the reporting period are as follows:

a) Listing status

The Company was placed in the second stage of delisting procedures in accordance with Practice Note 17 to the Listing Rules since 22 November 2013. The Company is required to submit a viable resumption proposal to the Stock Exchange by 5 May 2014 to address the following:

(i) the Company must demonstrate sufficient operations or assets under Listing Rule 13.24;

(ii) the Company must publish all outstanding financial results and address any audit qualifications; and

(iii) the Company must have the winding up petition against the Company withdrawn or dismissed and the provisional liquidators discharged.

b) Convertible bonds subscriptions

On 9 April 2013, the Company entered into a subscription agreement with CGL Resources (the "CGL Subscription Agreement") in relation to the subscription by CGL Resources of convertible bonds (the "CGL CB") in the principal amount of HK$50 million.

The Company also entered into a subscription agreement with the New Berkeley (the "New Berkeley Subscription Agreement") on 9 April 2013 in relation to the subscription by New Berkeley of convertible bonds (the "New Berkeley CB") in the principal amount of HK$80 million.

On 29 April 2013, the Company entered into a subscription agreement with Wahen Investments (the "Wahen Subscription Agreement") in relation to the subscription by Wahen Investments of convertible bonds (the "Wahen CB") in the principal amount of HK$180 million.

Further details in respect of the above were included in the Company's announcements dated 11 April 2013, 29 April 2013 and 25 November 2013.

Under the CGL Subscription Agreement, the New Berkeley Subscription Agreement and the Wahen Subscription Agreement (collectively the "CB Subscription Agreements"), if the conditions precedent set out therein are not fulfilled on or before 31 December 2013 (the "Long Stop Date") (or such later date as may be agreed between the CGL CB Subscribers, the New Berkeley CB Subscribers and the Wahen CB Subscribers (collectively the "CB Subscribers") and the Company in writing), the CB Subscription Agreements shall lapse and become null and void. The conditions precedent set out in the CB Subscription Agreements were not fulfilled on or before 31 December 2013. The Company and the CB Subscribers are engaging in discussions with a view to extending the Long Stop Date.

23. EVENTS AFTER THE REPORTING PERIOD (Continued)

c) Liquidation of Subsidiaries

Due to the Group cost control efforts, the following subsidiaries were placed into liquidation subsequent to 31 December 2013 and up to the date of this announcement:

i) Titan Leo Pte. Ltd.
ii) Petro Titan Pte. Ltd.
iii) Neptune Associated Shipping Pte Ltd
iv) Roswell Pacific Ltd.
v) Sewell Global Ltd.
vi) Sino Ocean Development Limited
vii) Brookfield Pacific Ltd.
viii) Estonia Capital Ltd.
ix) Titan Mars Limited
x) Titus International Ltd.
xi) Wendelstar International Ltd.
xii) Wynham Pacific Ltd.

Save the above subsidiaries operated in Singapore ("Singapore subsidiaries") were put into liquidation during the year and subsequent to 31 December 2013, most of their books and records have since been under the control of the liquidator.

d) Proposed debt restructuring

In addition to the convertible bonds subscription, the Company further proposed to carry out the following debt restructuring procedures:

(i) On 12 March 2013, the Company entered into a loan agreement with Fame Dragon pursuant to which Fame Dragon agreed to provide an interim financing on request of the Company of up to approximately HK$62.24 million at an interest rate of 2% per annum payable on maturity, subject to the dismissal or stay or adjournment of the hearing of the petition and the application for appointment of provisional liquidators to allow time for the Company to implement the Company's debt restructuring proposal. Details of the above were set out in the Company's announcement dated 15 March 2013.

    Besides, the Company intends to put forward a proposal to issue a five year, zero coupon, unlisted convertible bonds by way of an open offer to all shareholders (the "Open Offer"). The Open Offer will be fully underwritten by Fame Dragon, pursuant to an underwriting agreement entered into by the Company and Fame Dragon dated 12 March 2013. Up to the date of this announcement, the issue of unlisted convertible bonds are still in negotiation with the relevant parties and the details of the above were set out in the Company's announcement dated 15 March 2013.

(ii) Following the Company entered into the arrangements as detailed in note 23(b) and in the above, the Company has been engaged in discussions with the Group's creditors and potential creditors as well as the Company's controlling shareholder, GZE, and the convertible bonds' subscribers with a view to devising a debt restructuring proposal for the Group. On 14 August 2013, the Company announced certain key indicative terms of a debt restructuring proposal and continued to engage in discussions with creditors and other relevant parties. The Company then proposed to put forward a debt restructuring proposal for further discussion with creditors and other relevant parties. On 25 November 2013, the Company announced certain revised key indicative terms of the debt restructuring proposal. Up to the date of this announcement, the debt restructuring proposal are still in discussion with the relevant parties and the details of the key indicative terms of the debt restructuring proposal were set out in the Company's announcement dated 14 August 2013 and 25 November 2013.

23. EVENTS AFTER THE REPORTING PERIOD (Continued)

d) Proposed debt restructuring (Continued)

(iii) At the hearing of the Bermuda Court held on 7 March 2014, the Company was permitted to enter into another loan agreement (the "Loan Agreement") with Fame Dragon. The Loan Agreement was entered into between Fame Dragon and the Company on 13 March 2014, pursuant to which Fame Dragon agreed to provide an unsecured loan for meeting costs incurred by the Company in relation to the Company's debt restructuring plan or any other purpose agreed by Fame Dragon and the Bermuda Court, but not including the repayment of any debt which is included in the Company's debt restructuring plan, on request of the Company of up to approximately HK$62.24 million at an interest rate of 2% per annum payable on maturity. Details of the above were set out in the Company's announcement dated 11 March 2014 and 1 April 2014,

e) Demand for repayment of indebtedness

On 4 March 2014, the Company received a demand letter from GZE for the immediate repayment of the indebtedness by 廣州泰山石化有限公司 (Guangzhou Titan Petrochemical Co., Ltd.) ("Guangzhou Titan") pursuant to a debt transfer agreement dated 31 December 2013 entered into between GZE and Guangzhou Huanshi East Road Branch of Ping An Bank Co., Ltd. (formerly the Guangzhou Shuiyin Branch of Shenzhen Development Bank Co., Ltd.) ("Ping An Bank"). Ping An Bank has transferred to GZE its rights and interests in the indebtedness owed by Guangzhou Titan in the principal amount of RMB39,000,000 and the accrued interest of RMB3,600,000 (the "Indebtedness") and the guarantee granted by the guarantors in respect of the Indebtedness.

On the same date, 嵊泗海鑫石油有限公司 (Shengsi Haixin Petrochemicals Co., Ltd.) ("Shengsi Haxin"), a wholly-owned subsidiary of the Company, received a letter from GZE dated 4 March 2014 whereby GZE requested Shengsi Haxin to prepare for punctual repayment of the loan made available by GZE to Shengsi Haxin pursuant to a loan agreement dated 25 November 2013 and entered into between GZE and Shengsi Haixin.

Details of the above demand repayment of indebtedness by Guangzhou Titan and Shengsi Haxin were set out in the Company's announcement dated on 6 March 2014.

f) Management service agreement

On 9 April 2014, the Company, Titan Quanzhou Shipyard and FELS Offshore Pte Ltd ("FELS") entered into a management services agreement (the "Management Service Agreement"), pursuant to which FELS has conditionally agreed to provide management services for the operations of the shipyard in Quanzhou, the PRC owned by Titan Quanzhou Shipyard for a return of (i) a fixed annual fee; and (ii) a variable fee, being a percentage of the net revenue. The Management Services Agreement is subject to the satisfaction of certain conditions precedent, of which is all regulatory requirements, registrations or formalities required for the deed of undertaking to be executed by GZE, in favour of FELS and all of its related corporations (collectively, the "Keppel Group"), pursuant to which GZE will provide certain undertakings and guarantees to and for the benefit of FELS and all members of the Keppel Group having been complied with or obtained. Details of the Management Service Agreement were set out in the Company's announcements dated on 1 April 2014, 11 April 2014, 14 April 2014 and 15 April 2014 respectively.

24. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2013 (2012: Nil).

AUDITORS' OPINION

The auditors' opinion on the Group's financial statements for the year ended 31 December 2013 as set out below:

BASIS FOR DISCLAIMER OF OPINION

(a) Scope limitation – Subsidiaries operated in Singapore

Included in the consolidated financial statements of the Group is financial information in respect of subsidiaries which operated in Singapore (the "Singapore Subsidiaries"). As disclosed in note 2.1 to the consolidated financial statements, partial books and records of the Singapore Subsidiaries were unable to be located as a consequence of the re-location of their office and servers, the resignations of key management, operation and accounting personnel and records have been under the control of liquidators. Consequently, we were unable to obtain sufficient appropriate audit evidence in respect of the financial information of the Singapore Subsidiaries as set out below which has been included in the consolidated financial statements of the Group for the year ended 31 December 2013:

	HK$'000
Included in the consolidated statement of profit or loss:	
Revenue	14,348
Other revenue	1,969
Impairment of accounts receivable	887
Included in the consolidated statement of financial position:	
Accounts payable	20,609
Other payables and accruals	45,609
Included in the gain on deconsolidation of subsidiaries:	
Amounts due from fellow subsidiaries	4,359,097
Amounts due from deconsolidated fellow subsidiaries	2,881,216
Amount due to an intermediate holding company	113,064
Amounts due to fellow subsidiaries	5,300,502
Amounts due to deconsolidated fellow subsidiaries	2,896,711
Cash and cash equivalents	630
Accounts payable	132,997
Other payables and accruals	33,291

We were unable to obtain sufficient appropriate audit evidence regarding the above because (i) there was inadequate documentary evidence available for us to verify the identity and nature of the above transactions and balances; (ii) we were unable to carry out any effective confirmation procedures for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to carry out any substantive procedures in relation to the above transactions and balances; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above transactions and balances were free from material misstatement. Consequently, we were unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence of any other significant transactions, inter-group transactions, contingent liabilities, commitments, related party transactions and subsequent events relating to the Singapore Subsidiaries and the Group. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's net liabilities as at 31 December 2013, the gain on deconsolidation of subsidiaries and the loss and cash flows of the Group for the year ended 31 December 2013 and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant non-adjusting subsequent events relating to the Singapore Subsidiaries.

(b) Scope limitation – Other payables and accruals

Included in the other payables and accruals in the consolidated statement of financial position of the Group as at 31 December 2013 were other payables of approximately HK$1,094,000 (the "Other Payables"). We were unable to obtain sufficient appropriate audit evidence regarding the Other Payables because (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Other Payables; (ii) we were unable to carry out any effective confirmation procedures in relation to the Other Payables for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Other Payables were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balances of the Group's other payables, the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

(c) Scope limitation – Assets and liabilities of a disposal group classified as held for sale

(1) Scope limitation – Reversal of impairment of property, plant and equipment and prepaid land/seabed lease payments of a disposal group classified as held for sale

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position as at 31 December 2013 was the property, plant and equipment and prepaid land/seabed lease payments of a disposal group classified as held for sale (the "Property, Plant and Equipment and Prepaid Lease Payments") with net carrying amounts of approximately HK$2,545,476,000 and HK$313,822,000 respectively and related deferred tax liabilities of approximately HK$60,432,000. The directors are of the opinion that the carrying amounts of the Property, Plant and Equipment and Prepaid Lease Payments in the consolidated statement of financial position were lower than their fair values less cost to sell amounts and therefore, reversal of impairment losses on the Property, Plant and Equipment and Prepaid Lease Payments of approximately HK$499,508,000 was made during the year ended 31 December 2013. Fair values less costs to sell were determined by the cost approach and the sales comparison approach and were used to determine the amounts of the Property, Plant and Equipment and Prepaid Lease Payments with reference to valuation reports. However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the reasonableness of the bases and assumptions used in arriving at the amounts of the Property, Plant and Equipment and Prepaid Lease Payments as at the end of the reporting period and therefore, as to whether the carrying amounts and the reversal of impairment losses on the Property, Plant and Equipment and Prepaid Lease Payments for the year ended 31 December 2013 are fairly stated. Any adjustment to the carrying amounts and reversal of impairment losses on the Property, Plant and Equipment and Prepaid Lease Payments for the year ended 31 December 2013 would have a consequential impact on the loss from discontinued operations for the year ended 31 December 2013, the balances of the Group's assets and liabilities of a disposed group classified as held for sale, the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

(2) Scope limitation – Prepayments, deposits and other receivables of a disposal group classified as held for sale

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2013 were prepayments, deposits and other receivables in respect of Titan Quanzhou Shipyard Company Limited ("QZ Shipyard"), which is the disposal group classified as held for sale, of approximately HK$52,590,000 and included in the consolidated statement of profit or loss for the year ended 31 December 2012 was impairment of the prepayments, deposits and other receivables of QZ Shipyard of approximately HK$107,013,000 (the "Prepayments, Deposits and Other Receivables of the QZ Shipyard"). We were unable to obtain sufficient appropriate audit evidence regarding the Prepayments, Deposits and Other Receivables of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Prepayments, Deposits and Other Receivables of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to the Prepayments, Deposits and Other Receivables of the QZ Shipyard for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the Prepayments, Deposits and Other Receivables of the QZ Shipyard were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Prepayments, Deposits and Other Receivables of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets of a disposal group classified as held for sale, the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

(3) Scope limitation – Accounts and bills payables of a disposal group classified as held for sale

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2013 were accounts and bills payables of the QZ Shipyard of approximately HK$93,624,000 owned to suppliers of the QZ Shipyard (the "Accounts and Bills Payables of the QZ Shipyard"). We were unable to obtain sufficient appropriate audit evidence regarding the Accounts and Bills Payables of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Accounts and Bills Payable of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to Accounts and Bills Payables of the QZ Shipyard for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Accounts and Bills Payables of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balance of the Group's liabilities directly associated with the assets classified as held for sale, the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

(4) Scope limitation – Other payables and accruals of a disposal group classified as held for sale

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2013 were other payables and accruals of the QZ Shipyard of approximately HK$572,608,000 (the "Other Payables and Accruals of the QZ Shipyard"). We were unable to obtain sufficient appropriate audit evidence regarding the Other Payables and Accruals of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Other Payables and Accruals of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to the Other Payables and Accruals of the QZ Shipyard for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Other Payables and Accruals of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balance of the Group's liabilities directly associated with the assets classified as held for sale, the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

(d) Scope limitation – Amounts due from/to holding companies of a deconsolidated jointly-controlled entity

Included in the balances of other payables and accruals in the consolidated statement of financial position as at 31 December 2013 was amount due to a deconsolidated jointly-controlled entity of approximately HK$175,298,000 (the "Amounts with the Deconsolidated Jointly-Controlled Entity"). As disclosed in note 10 to the consolidated financial statements, included in the net assets of the jointly-controlled entity deconsolidated during the year ended 31 December 2012 were amounts due from holding companies of approximately HK$171,454,000, amounts due to holding companies of approximately HK$164,249,000 and impairment on amount due from the deconsolidated jointly-controlled entity of approximately HK$161,412,000 (the "Amounts with Holding Companies"). We were unable to obtain sufficient appropriate audit evidence regarding the Amounts with the Deconsolidated Jointly-Controlled Entity and the Amounts with Holding Companies because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Amounts with the Deconsolidated Jointly-Controlled Entity and the Amounts with Holding Companies; (ii) we were unable to carry out any effective confirmation procedures in relation to the Amounts with the Deconsolidated Jointly-Controlled Entity and the Amounts with Holding Companies for the purpose of our audit; and (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the amount due from the deconsolidated jointly-controlled entity were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Amounts with the Deconsolidated Jointly-Controlled Entity and the Amounts with Holding Companies were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balances of the Group's other payables and accruals as at 31 December 2013, the loss from discontinued operations of the Group for the year ended 31 December 2012, the Group's net liabilities at as 31 December 2013, and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

(e) Scope limitation – Amounts due from/to deconsolidated subsidiaries

Included in the balances of other payables and accruals in the consolidated statement of financial position as at 31 December 2013 was amounts due to deconsolidated subsidiaries of approximately HK$4,222,659,000 (the "Amounts due to Deconsolidated Subsidiaries"). Included in the consolidated statement of profit or loss for the year ended 31 December 2013 was impairment of amounts due from deconsolidated subsidiaries of approximately HK$5,384,435,000 (the "Impairment of Amounts due from Deconsolidated Subsidiaries"). We were unable to obtain sufficient appropriate audit evidence regarding the Amounts due to Deconsolidated Subsidiaries because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Amounts due to Deconsolidated Subsidiaries and the Impairment of Amounts due from Deconsolidated Subsidiaries; (ii) we were unable to carry out any effective confirmation procedures in relation to the Amounts due to Deconsolidated Subsidiaries and the Impairment of Amounts due from Deconsolidated Subsidiaries for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the amounts due from the deconsolidated subsidiaries were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Amounts due to Deconsolidated Subsidiaries and the Impairment of Amounts due from Deconsolidated Subsidiaries were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balances of the Group's other payables and accruals as at 31 December 2013, the Group's net liabilities as at 31 December 2013, and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

(f) Scope limitation – Financial guarantee contracts and commitments

As disclosed in note 42 and 41 to the consolidated financial statements were financial guarantee contracts issued and commitments committed by the Group. We are unable to obtain sufficient appropriate audit evidence regarding the financial guarantee contracts and commitments committed by the Group because (i) we were unable to verify whether all financial guarantee contracts and commitments committed by the Group were included in the consolidated financial statements of the Group and the financial statements of the Company as at 31 December 2012 and 2013; (ii) we were unable to satisfy ourselves the measurements of the financial guarantee contracts and commitments for the years ended 31 December 2012 and 2013 were appropriate; (iii) we were unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence of any other significant financial guarantee contracts and commitments committed by the Company and the Group; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above transactions were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's and the Company's net liabilities at 31 December 2012 and 2013 respectively, the Company's interests in subsidiaries and consequently net loss and cash flows of the Group and the Company for the years ended 31 December 2012 and 2013, and the related disclosures thereof in the consolidated financial statements.

(g) Scope limitation – Events after the reporting period

In light of the matters above, we were unable to obtain sufficient appropriate audit evidence regarding the events after the reporting period because there was inadequate documentary evidence available for us to verify the occurrence, accuracy and completeness of the significant transactions or events which may have occurred between the period from 1 January 2014 to the date of this auditors' report as required under the Hong Kong Standard on Auditing 560 "Subsequent Events" issued by the HKICPA. There were no practical alternative procedures that we could perform over the significant transactions which occurred during the period from 1 January 2014 to the date of this auditors' report.

Any adjustments that might have been found necessary may have an effect on the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

(h) Scope limitation – Related party transactions

In light of the matters above, we were unable to obtain sufficient appropriate audit evidence regarding the related party transactions disclosures because there was inadequate documentary evidence available for us to verify the occurrence, accuracy and completeness of the related party transactions which may have occurred during the year ended 31 December 2013 as required under the Hong Kong Standard on Auditing 550 "Related Parties" issued by the HKICPA. There were no practical alternative procedures that we could perform over the related party transactions which occurred during the year ended 31 December 2013.

Any adjustments that might have been found necessary may have an effect on the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

(i) Scope limitation – Opening balances and corresponding figures

In light of the matters above, there was inadequate documentary evidence available for us to verify the opening balances and corresponding figures for the year ended 31 December 2012. In addition, the auditors' report dated 14 February 2014 in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2012 was disclaimed in view as a result of scope limitation based on reasons summarised in the basis for disclaimer of opinion paragraphs therein.

As a result of the above, we were unable to obtain sufficient appropriate audit evidence regarding the opening balances and corresponding figures and there were no alternative audit procedures to satisfy ourselves as to whether the opening balances and corresponding figures were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets and liabilities as at 31 December 2012 and 2013 and its results for the years ended 31 December 2012 and 2013, and the presentation and disclosure thereof in the consolidated financial statements.

Any adjustments or additional disclosures found to be necessary in respect of the above matters, including any related tax impact, will have a consequential significant effect on the financial position of the Company and the Group as at 31 December 2013 and 2012 and the financial performance and cash flows of the Group for the years then ended, and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant subsequent events related to the Company and the Group.

(j) Material uncertainties relating to the going concern basis

As disclosed in note 2.1 to the consolidated financial statements, the Group incurred a loss attributable to the owners of the Company of approximately HK$4,570,232,000 for the year ended 31 December 2013 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$7,750,671,000 and its total liabilities exceeded its total assets by approximately HK$7,724,326,000.

As disclosed in notes 26, 28, 29, 30, 31 and 32 to the consolidated financial statements, the Group was in default on repayments of secured interest-bearing bank loans of approximately HK$654,347,000, fixed rate guaranteed senior notes of approximately HK$962,062,000, guaranteed senior convertible notes of approximately HK$499,693,000, guaranteed senior payment-in-kind notes of approximately HK$100,243,000, convertible preferred shares of approximately HK$406,110,000 and notes payable of approximately HK$227,292,000.

As disclosed in note 43 to the consolidated financial statements, the Group was involved in several legal proceedings. One of the legal proceedings is that KTL Camden Inc. ("KTL") has claimed that a subsidiary of the Company failed to pay certain hiring charges pursuant to a bareboat charter party contract and that the Company was liable to KTL for such hiring charges plus interest thereon in the sum of approximately US$6,853,032 pursuant to a deed of guarantee issued by the Company in favour of KTL. On 23 July 2013, the Supreme Court of Bermuda (the "Bermuda Court") allowed KTL to be substituted as the petitioner in place of Saturn Petrochemical Holdings Limited ("SPHL") and on 6 August 2013, KTL also made an application for the appointment of provisional liquidators in the Company. On 18 October 2013, the Bermuda Court ordered the appointment of the joint provisional liquidators of the Company. On 12 December 2013, the Company made an application to the Bermuda Court for the discharge of the joint provisional liquidators appointed to the Company (the "Discharge Application"). On 13 December 2013, the Bermuda Court ordered that the Camden Petition and the Discharge application be adjourned to 31 January 2014. Further hearings before the Bermuda Court took place on 31 January 2014 (Bermuda time), 14 February 2014 (Bermuda time), 28 February 2014 (Bermuda time), 7 March 2014 (Bermuda time) and 17 April 2014 (Bermuda time) and the Camden Petition and Discharge Application further adjourned to 16 May 2014 (Bermuda time).

These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favourable outcomes of the steps being taken by the directors of the Company as described in note 2.1 to the consolidated financial statements. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation and classification of non-current assets that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets. In the absence of sufficient documentary evidence, we were unable to ascertain whether the assumptions made by the directors of the Company in the preparation of the consolidated financial statements on a going concern basis were fair and reasonable and, accordingly, we were unable to satisfy ourselves that the use of the going concern assumption was appropriate. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the appropriateness of the use of the going concern assumption, which might have a consequential significant effect on the Group's and the Company's net liabilities as at 31 December 2013 and the loss of the Group for the year then ended, and the related disclosures thereof in the consolidated financial statements.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

REPORT ON MATTERS UNDER SECTIONS 141(4) AND 141(6) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding item (a) to (j) above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

- we were unable to determine whether proper books of account had been kept.

DIVIDENDS

The Board of Directors does not recommend the declaration of a final dividend for the year ended 31 December 2013 (2012: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the year ended 31 December 2013 except for the deviations set out below.

In respect of code provision A.2.1 of the CG Code, as announced on 27 August 2012, Mr. Zhao Xu Guang, the Chairman of the Board, also took up the position of acting Chief Executive following the departure of his predecessor. Mr. Zhao has been, since that date, responsible for the Group's strategic planning for new projects and corporate development and also overseeing the Group's overall operations and performance with the support of the management team. On 26 March 2013, the Company appointed Mr. Tang Chao Zhang as an Executive Director and Chief Executive and Mr. Zhao Xu Guang ceased to act as the Chief Executive. With this appointment, the segregation of the roles of the Chairman and Chief Executive came into effect.

According to code provision C.2.1 of the CG Code, the directors should at least annually conduct a review of the effectiveness of the Group's internal control systems and report to the shareholders that they have done so in the Corporate Governance Report. As the Group's internal auditor left on 24 December 2012, no annual internal control review had been conducted in 2013. Despite this, all the controls, policies and procedures adopted are in place.

The directors have taken steps to engage an independent adviser to assist the Group to perform the review of the effectiveness of the internal control systems.

According to code provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting to answer questions. The Chairman of the Board, Mr. Zhao Xu Guang, was unable to attend the last annual general meeting of the Company held on 30 September 2013 due to an overseas commitment.

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 director securities transactions. Having made specific enquiries of the relevant directors during the year, save as disclosed below, all the relevant directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2013.

On 29 April 2013, the Company entered into a subscription agreement (the "Wahen Subscription Agreement") with Wahen Investments Limited ("Wahen Investments") (which is wholly-owned by Mr. Zhao Xu Guang, the Chairman and Executive Director of the Company). The entering into the Wahen Subscription Agreement constitutes "dealing" in the shares of the Company in what is commonly called the "blackout period" of the Company during which dealings by directors are prohibited under Rule A.3(a) of the Model Code. On application by the Company, the Stock Exchange has granted a waiver from strict compliance with the applicable Rule under the Model Code. The reasons for making such application included:–

(i) the urgent need for the Company to put together an alternative rescue financing proposal (since the previous proposal was voted down by shareholders at the special general meeting in late February 2013) in order to defend the petition which was set down for hearing on 1 May 2013;

(ii) the proposed subscription of the convertible bonds under the Wahen Subscription Agreement by Wahen Investments accounts for a material part (approximately 25.7%) of the alternative rescue financing proposal, and is on substantially the same terms as those to be made available to all shareholders under the open offer and to third party investor under the subscription agreements entered into with CGL Resources Ltd. and New Berkeley Corporation, except that the Wahen Subscription Agreement will be subject to independent shareholders vote where Mr. Zhao and his associates would be required to abstain from voting as required under Chapter 14A of the Listing Rules; and

(iii) the Company has not been able to issue its interim results for the six months ended 30 June 2012 and final results for the year ended 31 December 2012 to end the "blackout period" in time for the signing of the Wahen Subscription Agreement before submission deadlines for the Bermuda Court's hearing of the petition.

REVIEW OF FINANCIAL STATEMENTS

The Company has established an audit committee for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The audit committee comprises three independent non-executive directors.

The members of the audit committee of the Company during the year and up to the date of this announcement were Mr. Lau Fai Lawrence *(chairman)* (appointed on 13 March 2014), Mr. Foo Meng Kee (appointed on 27 December 2013) and Mr. Cheung Hok Fung Alexander (appointed on 24 March 2014). Mr. Shane Frederick Weir was appointed on 29 June 2012 as a member of the audit committee and retired on 30 September 2013. Mr. John William Crawford and Mr. Abraham Shek Lai Him ceased to be the chairman and a member of the audit committee respectively upon the expiry of their contracts on 27 February 2014.

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2013 and discussed the same with management and the external auditors and, as a result, is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and other reporting requirements, and that adequate disclosures have been made.

CONTINUED SUSPENSION IN TRADING

Trading in the ordinary shares of the Company was suspended with effect from 9:00 a.m. on 19 June 2012 and will remain suspended until further notice.

Hong Kong, 30 April 2014

As at the date of this announcement, the executive Directors are Mr. Zhao Xu Guang (Chairman), Mr. Tang Chao Zhang, Mr. Wong Siu Hung Patrick and Mr. Fu Yong Yuan; the non-executive Directors are Mr. Fan Qinghua and Mr. Hu Zhong Shan; and the independent non-executive Directors are Mr. Foo Meng Kee, Mr. Lau Fai Lawrence and Mr. Cheung Hok Fung Alexander.