

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2014

CHAIRMAN'S STATEMENT

The twelve months ended 31 December 2014 witnessed significant breakthrough in the debt restructuring and business development of Titan Petrochemicals Group Limited (the "Company" or "Titan", together with its subsidiaries, collectively the "Group"). Thanks to the relentless striving of our management team, silver linings are finally seen on the clouds. In April 2014, the Group successfully formed a strategic alliance with Keppel Offshore & Marine Ltd ("Keppel O&M"), a wholly-owned subsidiary of Singapore-listed Keppel Corporation Limited, by entering into a 30-year shipyard management services agreement. Keppel O&M will provide Titan Quanzhou Shipyard Co., Ltd. (the "Shipyard") with comprehensive services in offshore and marine solutions including design, construction and management by way of an conditional agreement with FELs Offshore Pte Ltd., one of its subsidiaries. The alliance will leverage the Shipyard's unmatched geographical location and operational accreditations to capitalise on the favourable government policies and the extensive market in China. The co-operation with Keppel O&M will further enhance Titan's position to become a leading solutions provider in the offshore and marine industry in Asia, especially in the PRC. The agreement provides Keppel O&M an option to subscribe (via warrants or convertible bonds) up to 9.9% of the Company's equity and thus becoming a strategic shareholder of Titan. We believe this arrangement will enhance our strategic relationships and is a "win win" arrangement for both the Group and Keppel.

The Group's debt restructuring proposal and the application for resumption of trading have reached important milestones with the blessing and unreserved support from Guangdong Zhenrong Energy Co., Ltd. ("GZE"), the Company's major shareholder and white knight. Following the submission of the resumption proposal to The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 5 May 2014, the Company received a letter from the Stock Exchange on 1 December 2014, informing the Company that the Stock Exchange had decided to allow the Company to proceed with the resumption proposal subject to certain conditions. In addition, a majority in number of the scheme creditors had voted in favour at the scheme meetings on 22 October 2014. The proposed scheme of arrangement was sanctioned by the Bermuda Court on 5 November 2014 and became duly binding on all scheme creditors (as defined in the scheme). All the above accomplishments have nurtured favourable conditions for the future development of the Company. At the same time, our management team will work closely with Keppel O&M and local authorities in Quanzhou to ensure the successfully taking off of the Shipyard's operations upon completion of the debt restructuring.

PROSPECT

Our management team is determined to revitalize the Company's business with a view to deliver maximum value to our creditors, shareholders and employees taking as a whole. Looking forward, we will continue to work extensively with our financial and legal advisers to further speed up the debt restructuring process and the resumption of trading of the Company's shares at the Stock Exchange. Our efforts in reorganizing the Group's operations will lay a solid foundation for long-term business development, which we expect will produce and share fruitful results with our stakeholders in the not too distant future. Finally, I would like to express our sincere gratitude for the continuous support from our shareholders and the preserving efforts and dedications of all our colleagues and professional advisers.

Zhao Xu Guang
Chairman and Chief Executive

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 December 2014, the Group did not generate any revenue from continuing operations, compared to HK\$644 million in the prior year. The profit before tax from continuing operations was HK\$3,946 million, compared to the loss of HK\$4,818 million in 2013. The profit for the year was HK\$3,779 million, mainly comprised of the gain on deconsolidation of subsidiaries amounted to HK\$4,135 million offset by the impairment losses on amounts due from deconsolidated subsidiaries amounted to HK\$135 million.

In view of the Group's financial position, the Board proposed not to declare any dividend for the 2014 fiscal year.

Business Review

The Group had 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. Owing to the uncertain market status, this business segment was suspended since 2013. The segment earnings before interest, tax, depreciation and amortisation ("EBITDA") amounting to HK\$0.1 million was attributed to the exchange gain from assets and liabilities as compared to the segment loss before interest, tax, depreciation and amortisation ("LBITDA") of HK\$198 million in the prior year.

Transportation

The Group offered transportation services for oil and petrochemical products to customers in the Southeast Asian regions. Owing to volatile oil price fluctuations and the uncertain market status, this business segment was suspended since 2012. The segment EBITDA amounting to HK\$0.1 million was attributed to the exchange gain from assets and liabilities, as compared to the segment LBITDA of HK\$5 million in the prior year.

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. There was no revenue during the year under review, and the segment LBITDA was HK\$1 million as compared to HK\$9 million in the prior year.

Discontinued Operation

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 RMB1,666 million (equivalent to approximately HK\$2,123 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, 上海市第一中级人民法院 (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, 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 EBITDA was HK\$23 million mainly due to the gain on loan rearrangement. The segment EBITDA was HK\$455 million in 2013.

Deconsolidation of Subsidiaries

Titan Storage Limited (“TSL”), Estonia Capital Ltd., Titan Mars Limited, Sino Ocean Development Limited, Brookfield Pacific Ltd., Roswell Pacific Ltd., Titus International Ltd., Wynham Pacific Ltd., Wendelstar International Ltd. and Sewell Global Ltd. were placed into voluntary liquidation on 25 April 2014. Titan Leo Pte. Ltd., Neptune Associated Shipping Pte Ltd and Petro Titan Pte. Ltd. were placed into voluntary liquidation on 29 April 2014.

Accordingly, the Group had deconsolidated these subsidiaries, as a result of which the aggregate amounts due to the subsidiaries have been deconsolidated during the year ended 31 December 2014 and were considered no longer consolidated into the Group and thus, were reversed in the books of the Group, while the amounts due from the deconsolidated subsidiaries were considered to be highly unrecoverable and thus were fully impaired as these subsidiaries were put into liquidation during the year ended 31 December 2014.

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 highly unrecoverable 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 2014, the Group's net liabilities amounted to HK\$3,833 million, compared to net liabilities of HK\$7,724 million as at 31 December 2013.

The Group financed its operations mainly through the loans from the immediate holding company, the ultimate holding company, the banks and other independent third parties in Hong Kong and Mainland China. As at 31 December 2014,

a) The Group had:

- Cash and bank balances of HK\$1.4 million (2013: HK\$20 million) of which HK\$0.1 million (2013: HK\$0.2 million) was from the discontinued operation in respect of shipbuilding segment; pledged deposits and restricted cash of HK\$26.5 million (2013: HK\$487 million) were from continuing operations. These balances were comprised of:
 - an equivalent of HK\$26.7 million (2013: HK\$41 million) denominated in US dollars
 - an equivalent of HK\$0.2 million (2013: HK\$0.1 million) denominated in Singapore dollars
 - an equivalent of HK\$0.4 million (2013: HK\$461 million) of which HK\$0.1 million (2013: HK\$0.2 million) was from the discontinued operation, denominated in RMB
 - HK\$0.6 million (2013: HK\$5 million) in Hong Kong dollars
- Interest-bearing bank and other loans of HK\$272 million (2013: HK\$706 million), of which HK\$266 million (2013: HK\$700 million) was from discontinued operation of shipbuilding segment. Floating rate loans denominated in US dollars amounted to HK\$6 million (2013: HK\$6 million). Group bank and other loans having maturities within one year amounted to HK\$6 million (2013: HK\$706 million) of which HK\$Nil (2013: HK\$700 million) related to discontinued operation in respect of shipbuilding segment
- Loans from the ultimate holding company of HK\$2,048 million (2013: HK\$1,924 million), of which having maturities within one year amounting to HK\$Nil (2013: HK\$1,924 million). Among such, HK\$Nil (2013: HK\$1,829 million) was from discontinued operation of shipbuilding segment. Maturities over 5 years amounted to HK\$2,048 million (2013: HK\$Nil), of which HK\$1,946 million (2013: HK\$Nil) was from discontinued operation of shipbuilding segment
- Loans from the immediate holding company of HK\$52 million (2013: HK\$3 million) having maturities over one year. However, as the Company has triggered the events of default, a loan of HK\$3 million from the immediate holding company was then presented as current liabilities as at 31 December 2014

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

- 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\$833 million (2013: HK\$836 million)
 - Machinery with an aggregate net carrying value of HK\$119 million (2013: HK\$147 million)
 - Buildings with an aggregate net carrying value of HK\$437 million (2013: HK\$453 million)
 - Prepaid land/seabed lease payments with an aggregate net carrying value of HK\$306 million (2013: HK\$338 million)
 - Investment property with an aggregate net carrying value of HK\$166 million (2013: HK\$Nil)
 - Bank balances and deposits of HK\$461 million in 2013 but were released in 2014
 - Corporate guarantees executed by the Company and its subsidiaries
 - 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\$882 million (2013: HK\$962 million), the guaranteed senior convertible notes (the "Convertible Notes Due 2015") of HK\$442 million (2013: HK\$500 million) and the guaranteed senior payment-in-kind notes (the "PIK Notes Due 2015") of HK\$89 million (2013: HK\$100 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\$3,035 million (2013: HK\$3,626 million) and total assets of HK\$3,204 million (2013: HK\$3,655 million), of which HK\$2,861 million (2013: HK\$2,957 million) was from the discontinued operation of shipbuilding segment
 - Total bank and other loans of HK\$272 million (2013: HK\$706 million) of which HK\$266 million (2013: HK\$700 million) was from the discontinued operation in respect of shipbuilding segment
 - The Senior Notes Due 2012 of HK\$882 million (2013: HK\$962 million)
 - The Convertible Notes Due 2015 of HK\$442 million (2013: HK\$500 million)
 - The PIK Notes Due 2015 of HK\$89 million (2013: HK\$100 million)
 - Convertible preferred shares issued by the Company (the “Titan preferred shares”) with a liability portion of HK\$421 million (2013: HK\$406 million)
 - Notes payable (the “K-Line Notes Due 2013”) of HK\$203 million (2013: HK\$227 million)
 - Loans from the ultimate holding company of HK\$2,048 million (2013: HK\$1,924 million), of which HK\$1,946 million (2013: HK\$1,829 million) was from the discontinued operation of shipbuilding segment
 - Loans from the immediate holding company of HK\$52 million (2013: HK\$3 million)
- e) The Group’s current ratio was 0.44 (2013: 0.32). The gearing of the Group, calculated as the total bank and other 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 loans from the immediate holding company to total assets, increased to 1.24 (2013: 1.21).
- f) The Group operated in Mainland China, Hong Kong and Singapore and primarily used Hong Kong dollars in Hong Kong, Renminbi for the business in Mainland China and US dollars and Singapore dollars for the businesses in Singapore 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 2014, the Group had 185 employees (2013: 188), of which 157 employees (2013: 163) worked in Mainland China, and 26 employees and 2 employees (2013: 23 and 2) were based in Hong Kong and Singapore, respectively. Included in those working in Mainland China, 157 employees (2013: 158) 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 (“JPLs”) 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 TSL, a subsidiary of the Company (which was put into liquidation in April 2014), 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 JPLs to the Company with specified powers.

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.

At the hearing held on 11 July 2014 (Bermuda time), the Bermuda Court ordered a further adjournment of the winding up petition against the Company by Camden to 8 August 2014 (Bermuda time). The Bermuda Court further ordered that the costs and fees of the JPLs and their advisors were to be paid out of the liquidation account.

At the hearing held on 27 March 2015 (Bermuda time), the Bermuda Court ordered a further adjournment of the winding up petition against the Company by Camden to 10 April 2015 (Bermuda time). The details are disclosed in the note 21 to this announcement.

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 Titan Group Investment Limited (“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.

Litigation (Continued)

b) British Virgin Islands (“BVI”) Proceedings (Continued)

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, the liquidation procedure of TGIL has commenced and the liquidation is not completed.

The details are disclosed in the note 21 to this announcement.

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, among other remedies, specific performance of the IRA, injunctive relief, declaratory relief, an indemnity, damages, interest and costs.

The Hong Kong Court subsequently, among 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.

Litigation (Continued)

c) *Hong Kong Proceedings (Continued)*

The Company has obtained the permission from the Bermuda Court to enter into a deed of settlement with SSL and other relevant parties relating to the Hong Kong proceedings on 12 December 2014.

The Hong Kong Court fixed a second case management conference for hearing on 21 November 2014 and further adjourned to 13 March 2015. On 12 March 2015, the Hong Kong Court ordered (by consent) that (i) the second case management conference due to be heard on 13 March 2015 be vacated and adjourned to 7 July 2015; and (ii) all further proceedings be stayed until 30 April 2015 pending finalisation of the global settlement among the parties.

The details are disclosed in the note 21 to this announcement.

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, among 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.

On 23 August 2012, Titan Fujian filed a statement of counterclaim against Grand China Logistics with the Shanghai Intermediate Court to seek, among 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.

* *for illustration purpose only*

Litigation (Continued)

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

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 remains subject to, among other things, the Indebtedness owed by Titan Quanzhou Shipyard to the Fuzhou branch of Shanghai Pudong Development Bank Co., Ltd. and the Securities granted in respect of the Indebtedness. Titan Quanzhou Shipyard had been in default on its payment obligations under the Indebtedness and the Securities are liable to be enforced by GZE. Further details in respect of the above are included in the Company's announcement dated 14 January 2014.

The GCL Sale and Purchase Agreement will be terminated subject to certain terms and conditions. Further details of the termination will be disclosed in a separate announcement to be released by the Company.

The details are disclosed in the note 21 to this announcement.

Debt Restructuring

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

On 22 October 2014, separate meetings of the creditors of Existing Notes and of Non-Note Creditors (as defined in the Creditors' Scheme of arrangement (the "Creditors' Scheme")) (the "Scheme Meetings") were held on the same date to consider and approve the Creditors' Scheme. At both Scheme Meetings, a majority in number of the Scheme Creditors present and voting (in person or by proxy), representing not less than three-fourths in value of the accepted claims of Scheme Creditors present and voting (either in person or by proxy), have voted in favour of the Creditors' Scheme. Accordingly, the Creditors' Scheme was duly approved at the Scheme Meetings. The Creditors' Scheme was sanctioned by the Bermuda Court on 5 November 2014 and became effective and binding on all Scheme Creditors upon a copy of the Order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Bermuda Companies Act 1981 (the "Act") on the same date.

On 6 March 2015, the Bermuda Court ordered to extend the long-stop date of the Creditors' Scheme of the Company to 31 July 2015.

Suspension of trading and listing status

As disclosed in the announcement of the Company dated 26 November 2013, the Listing Division of the Stock Exchange issued a letter on 22 November 2013 to inform the Company that they have decided to place the Company in the second stage of delisting under Practice Note 17 to the Listing Rules and required the Company to submit a viable resumption proposal at least 10 business days before the second stage of delisting expires (i.e. 5 May 2014).

The Company has submitted a resumption proposal on 5 May 2014 (and the updated versions of the resumption proposals in response to the comments from the Stock Exchange have been submitted on 10 June 2014, 22 August 2014, 16 September 2014, 10 October 2014 and 25 November 2014 respectively). As disclosed in the Company's announcement dated 2 December 2014, the Board announced that as informed by a letter dated 1 December 2014, the Stock Exchange has decided to allow the Company to proceed with the Resumption Proposal subject to satisfying the following conditions by 31 May 2015:

- 1) completion of the transactions under the Resumption Proposal;
- 2) completion of the internal control review indicating no material deficiency;
- 3) withdrawal or dismissal of the winding up petition and discharge of the JPLs;
- 4) inclusion in a circular to the Shareholders:
 - a) a profit forecast for the two years ending 31 December 2015 and 2016 together with reports from the auditors and the financial adviser under Rules 14.62(2) and (3) of the Listing Rules;
 - b) a pro forma balance sheet upon completion of the Resumption Proposal; and
 - c) a statement from the Directors (including the proposed directors) confirming working capital sufficiency for at least 12 months from trading resumption and a comfort letter from the auditors on the Directors' statement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
CONTINUING OPERATIONS			
Revenue	2	–	644,325
Cost of sales		–	(673,394)
Gross loss		–	(29,069)
Other revenue		178,353	5,807
Gain on deconsolidation of subsidiaries	5(a)	4,134,534	1,236,193
General and administrative expenses		(208,607)	(317,279)
Finance costs	6	(22,585)	(153,318)
Impairment losses on amounts due from deconsolidated subsidiaries	5(d)	(135,461)	(5,384,435)
Loss arising on change in fair value of investment property		(510)	–
Loss on derecognition of derivative financial instruments not qualifying as hedges		–	(176,049)
Profit/(loss) before tax from continuing operations	7	3,945,724	(4,818,150)
Income tax credit	8	113	440
Profit/(loss) for the year from continuing operations		3,945,837	(4,817,710)
DISCONTINUED OPERATION			
(Loss)/profit for the year from discontinued operation	4(b)	(166,463)	247,478
PROFIT/(LOSS) FOR THE YEAR		3,779,374	(4,570,232)
Profit/(loss) for the year attributable to:			
Owners of the Company		3,779,374	(4,570,232)
Non-controlling interests		–	–
		3,779,374	(4,570,232)
BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
	9		
From continuing and discontinued operations			
Basic per share		HK48.33 cents	(HK58.44 cents)
Diluted per share		HK45.30 cents	(HK58.44 cents)
From continuing operations			
Basic per share		HK50.45 cents	(HK61.60 cents)
Diluted per share		HK47.29 cents	(HK61.60 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the year	<u>3,779,374</u>	<u>(4,570,232)</u>
Other comprehensive income/(loss)		
Items that will not be reclassified to profit or loss:		
Revaluation gain of prepaid land lease payment upon reclassification to investment property	142,324	–
Income tax arising from revaluation gain thereof	<u>(34,219)</u>	–
	<u>108,105</u>	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u>2,767</u>	<u>(13,108)</u>
	<u>2,767</u>	<u>(13,108)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>110,872</u>	<u>(13,108)</u>
Total comprehensive income/(loss) for the year	<u>3,890,246</u>	<u>(4,583,340)</u>
Total comprehensive income/(loss) attributable to:		
Owners of the Company	3,890,246	(4,583,340)
Non-controlling interests	<u>–</u>	<u>–</u>
	<u>3,890,246</u>	<u>(4,583,340)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		3,138	4,787
Investment property	<i>10</i>	166,223	–
Prepaid land/seabed lease payments		–	24,558
Licenses		–	–
Total non-current assets		169,361	29,345
CURRENT ASSETS			
Accounts receivable	<i>11</i>	–	181
Prepayments, deposits and other receivables		145,555	161,729
Pledged deposits and restricted cash		26,520	487,059
Cash and cash equivalents		1,315	19,664
Assets of a disposal group classified as held for sale	<i>4(b)</i>	2,861,227	2,956,904
Total current assets		3,034,617	3,625,537
CURRENT LIABILITIES			
Interest-bearing bank and other loans		5,850	5,850
Accounts payable	<i>12</i>	217,731	351,408
Other payables and accruals	<i>13</i>	774,100	4,520,305
Fixed rate guaranteed senior notes	<i>14</i>	882,329	962,062
Guaranteed senior convertible notes	<i>15</i>	441,753	499,693
Guaranteed senior payment-in-kind notes	<i>16</i>	88,657	100,243
Liability portion of convertible preferred shares	<i>17</i>	420,717	406,110
Notes payable	<i>18</i>	202,896	227,292
Tax payable		1,069	1,059
Amounts due to the ultimate holding company		947,503	951,730
Amount due to the immediate holding company		87	27
Loans from the ultimate holding company		–	95,283
Loans from the immediate holding company		3,000	–
Liabilities directly associated with the assets classified as held for sale	<i>4(b)</i>	2,865,369	3,255,146
Total current liabilities		6,851,061	11,376,208

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
NET CURRENT LIABILITIES		<u>(3,816,444)</u>	<u>(7,750,671)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(3,647,083)</u>	<u>(7,721,326)</u>
NON-CURRENT LIABILITIES			
Amount due to the immediate holding company		456	–
Loans from the ultimate holding company		102,293	–
Loans from the immediate holding company		48,681	3,000
Deferred tax liabilities		<u>34,121</u>	<u>–</u>
Total non-current liabilities		<u>185,551</u>	<u>3,000</u>
Net liabilities		<u><u>(3,832,634)</u></u>	<u><u>(7,724,326)</u></u>
DEFICIENCY IN ASSETS			
Deficiency attributable to owners of the Company			
Share capital	<i>19</i>	78,206	78,206
Deficits		<u>(3,910,840)</u>	<u>(7,802,532)</u>
Deficiency in assets		<u><u>(3,832,634)</u></u>	<u><u>(7,724,326)</u></u>

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 the investment property and financial instruments, which have been measured at fair value. All the assets and liabilities as at 31 December 2014 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 (the “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 severals, 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 and certain British Virgin Islands (“BVI”) subsidiaries were put into liquidation in 2013 and 2014 and the records have since been under the control of the Liquidators. 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 years ended 31 December 2014 and 31 December 2013.

1.1 GOING CONCERN BASIS

During the year ended 31 December 2014, the Group incurred profits of HK\$3,779,374,000 and, as of that date, the Group had net current liabilities and net liabilities of HK\$3,816,444,000 and HK\$3,832,634,000 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**

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, among 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)

Bermuda proceedings (Continued)

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 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 10 April 2015 (Bermuda time), further details of which are set out in note 21.

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 has been engaging in discussions with the Group’s creditors, potential creditors as well as investors or potential investors in relation to the debt restructuring and fund raising (by way of debt financing and equity financing) proposals. Certain agreements in relation to the debt restructuring and fund raising have been entered into with the relevant parties (details of the agreements are set out in the announcements of the Company dated 25 November 2013, 5 May 2014 and 30 May 2014). As announced by the Company on 30 May 2014, the Company has submitted a resumption proposal on 5 May 2014 and has entered into certain agreements in relation to its business development and debt restructuring.

Further details of the agreements will be disclosed in a separate announcement to be released by the Company.

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 2014. 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 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following amended HKFRSs and HKASs issued by the HKICPA which became effective for accounting periods beginning on or after 1 January 2014.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
HK(IFRIC) – Int 21	Levies

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The application of these amendments to HKAS 32 results in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 36 – Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. However, an entity may not apply those amendments in periods (including comparative periods) in which it does not also apply HKFRS 13.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Amendments to HKAS 36 – Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets (Continued)

The application of these amendments to HKAS 36 has no material impact on the Group's financial performance and positions.

Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

The application of these amendments to HKAS 39 has no material impact on the Group's financial performance and positions.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 – Investment Entities

The Investment Entities amendments apply to a particular class of business that qualify as investment entities. The term "investment entity" refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The application of these amendments to HKFRS 10, HKFRS 12 and HKAS 27 has no material impact on the Group's financial performance and positions.

HK(IFRIC) – Int 21 Levies

HK(IFRIC) – Int 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC) – Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

The application of HK(IFRIC) – Int 21 has no material impact on the Group's financial performance and positions.

1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to HKAS 1	Disclosure Initiative ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ⁴
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ⁵
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ⁶
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

The Group is in the process of assessing the potential impact of the above new and revised HKFRSs upon initial application but is not yet in a position to state whether the above HKFRSs will have a significant impact on the Group's and the Company's results of operations and financial position.

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 service is included under the revenue of discontinued operation. 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).

3. OPERATING SEGMENT INFORMATION (Continued)

Management monitors the results of its operating segments separately for the purposes of making decisions about resources allocations and performance assessments. Segment performance is evaluated based on reportable segment 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 2014.

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. There were no intersegment sales in the current year (2013: HK\$Nil).

Year ended 31 December 2014

	Provision of logistic services		Supply of oil products and provision of bunker refueling services HK\$'000	Continuing operations	Discontinued operation	Unallocated HK\$'000	Consolidated HK\$'000
	Offshore storage HK\$'000	Transportation HK\$'000		Total HK\$'000	Shipbuilding HK\$'000		
Segment revenue							
- Revenue from external customers	-	-	-	-	-	-	-
Segment results	142	67	(1,363)	(1,154)	(31,941)	-	(33,095)
Adjusted for:							
- Interest income	-	-	-	-	1	28	29
- Other revenue	-	-	-	-	-	178,323	178,323
- Other expenses	-	-	-	-	-	(207,451)	(207,451)
	142	67	(1,363)	(1,154)	(31,940)	(29,100)	(62,194)
Add: Depreciation and amortisation	-	-	41	41	54,650	1,360	56,051
Operating earnings before interest, tax, depreciation and amortisation ("EBITDA")/ (loss before interest, tax, depreciation and amortisation) ("LBITDA")	142	67	(1,322)	(1,113)	22,710	(27,740)	(6,143)
Impairment losses on amounts due from deconsolidated subsidiaries	-	-	-	-	-	(135,461)	(135,461)
Gain on deconsolidation of subsidiaries	-	-	-	-	-	4,134,534	4,134,534
Loss arising on change in fair value of investment property	-	-	-	-	-	(510)	(510)
EBITDA/(LBITDA)	142	67	(1,322)	(1,113)	22,710	3,970,823	3,992,420
Depreciation and amortisation	-	-	(41)	(41)	(54,650)	(1,360)	(56,051)
Finance costs	-	-	-	-	(135,752)	(22,585)	(158,337)
Profit/(loss) before tax	142	67	(1,363)	(1,154)	(167,692)	3,946,878	3,778,032

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2013

	Provision of logistic services		Supply of oil products and provision of bunker refueling services HK\$'000	Continuing operations	Discontinued operation	Unallocated HK\$'000	Consolidated HK\$'000
	Offshore storage HK\$'000	Transportation HK\$'000		Total HK\$'000	Shipbuilding 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)
<i>Add:</i> Depreciation and amortisation	-	-	315	315	50,424	2,025	52,764
Operating LBITDA	(197,548)	(4,777)	(8,710)	(211,035)	(44,565)	(127,166)	(382,766)
Impairment losses 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)/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)

Year ended 31 December 2014

	Provision of logistic services		Supply of oil products and provision of bunker refueling services HK\$'000	Continuing operations	Discontinued operation	Consolidated HK\$'000
	Offshore storage HK\$'000	Transportation HK\$'000		Total HK\$'000	Shipbuilding HK\$'000	
Other segment information						
Depreciation and amortisation	-	-	41	41	54,650	54,691
Unallocated depreciation and amortisation				1,360		1,360
				1,401		56,051
Capital expenditures*	-	-	-	-	19	19
Unallocated capital expenditures				29		29
				29		48
Impairment of accounts receivable	-	-	180	180	-	180
Impairment of prepayments, deposits and other receivables	-	-	-	-	-	-
Unallocated impairment of prepayments, deposits and other receivables				2,361		2,361
				2,361		2,361

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

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2013

	Provision of logistic services		Supply of oil products and provision of bunker refueling services HK\$'000	Continuing operations	Discontinued operation	Consolidated HK\$'000
	Offshore storage HK\$'000	Transportation HK\$'000		Total HK\$'000	Shipbuilding HK\$'000	
Other segment information						
Depreciation and amortisation	-	-	315	315	50,424	50,739
Unallocated depreciation and amortisation				2,025		2,025
				<u>2,340</u>		<u>52,764</u>
Capital expenditures*	-	-	13	13	11,756	11,769
Unallocated capital expenditures				2,489		2,489
				<u>2,502</u>		<u>14,258</u>
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
				<u>77</u>		<u>(482,455)</u>
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)

Geographical information

	Mainland China		Other Asia Pacific countries		Consolidated	
	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
a) Revenue						
Revenue from external customers	-	146,075	-	498,250	-	644,325
Attributable to discontinued operation – shipbuilding	-	-	-	-	-	-
Revenue from continuing operations	<u>-</u>	<u>146,075</u>	<u>-</u>	<u>498,250</u>	<u>-</u>	<u>644,325</u>
b) Other information						
Segment assets	3,032,569	3,450,094	171,409	204,788	3,203,978	3,654,882
Segment liabilities	3,216,717	3,566,940	3,819,895	7,812,268	7,036,612	11,379,208
Capital expenditures	19	11,769	29	2,489	48	14,258
Impairment of accounts receivable	180	-	-	887	180	887
Impairment of prepayments, deposits and other receivables	1,147	-	1,214	-	2,361	-
Reversal of impairment of property, plant and equipment	-	(482,455)	-	-	-	(482,455)
Reversal of impairment of prepaid land/ seabed lease payments	-	(16,976)	-	-	-	(16,976)

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

No revenue from major customers (2013: HK\$484,192,000 and HK\$89,378,000 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.

4. DISCONTINUED OPERATION

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”) (the “GCL Sale and Purchase Agreement”) 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\$2,378,203,000) or a maximum reduced consideration of RMB1,465,670,000 (equivalent to approximately HK\$1,868,316,000) 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\$2,123,260,000).

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, among other things, the termination of the GCL Sale and Purchase agreement and repayment of an aggregate of RMB740,000,000 (equivalent to approximately HK\$943,291,000) 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 Guangdong Zhenrong Energy Co., Ltd. (“GZE”) and on 26 December 2013 上海市第一中级人民法院 (Shanghai No.1 Intermediate People’s Court) (the “Shanghai Intermediate Court”) ordered discontinuation of proceedings. Further details are set out in note 21.

The GCL Sale and Purchase Agreement will be terminated subject to certain terms and conditions. Further details of the termination will be disclosed in a separate announcement to be released by the Company.

As at 31 December 2014 and 2013, the assets and liabilities related to the discontinued operation, shipbuilding and building of ship repair facilities, have been 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 2014 and 2013 are included in the consolidated statement of profit or loss as “(Loss)/profit for the year from discontinued operation”.

4. DISCONTINUED OPERATION (Continued)

b) Financial information on Titan Quanzhou Shipyard

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

	<i>Notes</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
Other revenue		50,256	879
General and administrative expenses		(82,196)	(95,868)
Reversal of impairment of property, plant and equipment		–	482,532
Reversal of impairment of prepaid land/ seabed lease payments		–	16,976
Finance costs	6	<u>(135,752)</u>	<u>(155,267)</u>
(Loss)/profit before tax		(167,692)	249,252
Income tax credit/(expenses)		<u>1,229</u>	<u>(1,774)</u>
(Loss)/profit for the year from discontinued operation		<u>(166,463)</u>	<u>247,478</u>

The major classes of assets and liabilities of Titan Quanzhou Shipyard classified as held for sale as at 31 December 2014 and 2013 are as follows:

	2014 HK\$'000	2013 <i>HK\$'000</i>
Assets		
Property, plant and equipment	2,488,687	2,545,476
Prepaid land/seabed lease payments	306,345	313,822
Inventories	44,627	44,789
Prepayments, deposits and other receivables	21,437	52,590
Cash and cash equivalents	<u>131</u>	<u>227</u>
Assets of a disposal group classified as held for sale	<u>2,861,227</u>	<u>2,956,904</u>
Liabilities		
Interest-bearing bank and other loans	265,658	699,670
Accounts payable	93,861	93,624
Other payables and accruals	416,533	486,839
Amounts due to the ultimate holding company	83,949	85,769
Loans from the ultimate holding company	1,946,165	1,828,812
Deferred tax liabilities	<u>59,203</u>	<u>60,432</u>
Liabilities directly associated with the assets classified as held for sale	<u>2,865,369</u>	<u>3,255,146</u>
Net liabilities directly associated with the disposal group	<u>(4,142)</u>	<u>(298,242)</u>

4. DISCONTINUED OPERATION (Continued)

b) Financial information on Titan Quanzhou Shipyard (Continued)

The combined net cash flows incurred by Titan Quanzhou Shipyard are summarised as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net cash (outflow)/inflow from:		
Operating activities	(77)	(13,866)
Investing activities	(19)	–
Financing activities	–	12,886
	<hr/>	<hr/>
Net cash outflow	(96)	(980)
	<hr/> <hr/>	<hr/> <hr/>

5. DECONSOLIDATION OF SUBSIDIARIES

During the year ended 31 December 2014, ten wholly owned subsidiaries of the Group that were incorporated in BVI and three wholly owned subsidiaries of the Group that were incorporated in Singapore have been placed into liquidation.

Titan Storage Limited (“TSL”), Estonia Capital Ltd., Titan Mars Limited, Sino Ocean Development Limited, Brookfield Pacific Ltd., Roswell Pacific Ltd., Titus International Ltd., Wynham Pacific Ltd., Wendelstar International Ltd. and Sewell Global Ltd. were placed into voluntary liquidation on 25 April 2014. Titan Leo Pte. Ltd., Neptune Associated Shipping Pte Ltd and Petro Titan Pte. Ltd. were placed into voluntary liquidation on 29 April 2014.

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).

5. DECONSOLIDATION OF SUBSIDIARIES (Continued)

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Accounts receivable	–	77
Prepayments, deposits and other receivables	11,679	1,847
Amounts due from fellow subsidiaries	–	4,359,097
Amounts due from deconsolidated fellow subsidiaries	2,087,170	2,881,216
Cash and cash equivalents	–	630
Accounts payable	(133,710)	(132,997)
Amounts due to the intermediate holding company	(134,987)	(113,064)
Amounts due to fellow subsidiaries	(476)	(5,300,502)
Amounts due to deconsolidated fellow subsidiaries	(5,918,946)	(2,896,711)
Other payables and accruals	(46,710)	(33,291)
Net liabilities of deconsolidated subsidiaries attributable to the Group	(4,135,980)	(1,233,698)
Release of exchange fluctuation reserve	(1,446)	2,495
Net liabilities of deconsolidated subsidiaries attributable to the Group	4,135,980	1,233,698
Gain on deconsolidation of subsidiaries	4,134,534	1,236,193

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 accruals (<i>Note 13</i>)	390,121	4,222,659
Liabilities directly associated with the assets classified as held for sale	114,000	114,815
	504,121	4,337,474

5. DECONSOLIDATION OF SUBSIDIARIES (Continued)

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
d) Impairment losses:		
Impairment losses on amounts due from deconsolidated subsidiaries (<i>Note</i>)	<u>135,461</u>	<u>5,384,435</u>

Note:

During the year ended 31 December 2014, impairments have been made for the amounts due from deconsolidated subsidiaries due to the amounts are highly unrecoverable and which are determined by reference to the estimation of future cash flows expected to be generated from the deconsolidated subsidiaries. Accordingly, impairment losses of HK\$135,461,000 (2013: HK\$5,384,435,000) were recognised during the year.

6. FINANCE COSTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest on:		
Bank and other loans		
– wholly repayable within five years	11,489	51,463
– not wholly repayable within five years	5,691	55,593
Loans from the immediate holding company		
– wholly repayable within five years	516	12
– 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	125,133	55,462
Fixed rate guaranteed senior notes (“Senior Notes Due 2012”)	–	70,191
Guaranteed senior convertible notes (“Convertible Notes Due 2015”)	–	45,722
Guaranteed senior payment-in-kind notes (“PIK Notes Due 2015”)	–	8,007
Notes payable (“K-Line Notes Due 2013”)	–	5,293
Dividends on the Company’s convertible preferred shares (the “Titan preferred shares”)	14,607	14,608
Other finance costs	<u>901</u>	<u>1,800</u>
Total interest expenses	<u>158,337</u>	<u>308,585</u>
Attributable to continuing operations	22,585	153,318
Attributable to discontinued operation (<i>Note 4(b)</i>)	<u>135,752</u>	<u>155,267</u>
	<u>158,337</u>	<u>308,585</u>

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(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 operation.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Cost of inventories sold	–	621,014
Cost of services rendered	–	52,380
Depreciation	48,736	40,146
Amortisation of prepaid land/seabed lease payments	7,315	12,618
Bank interest income	(29)	(3,063)
	<u> </u>	<u> </u>

8. 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:

	2014	2013
Hong Kong	16.5%	16.5%
Singapore	17.0%	17.0%
Mainland China	25.0%	25.0%
	<u> </u>	<u> </u>

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.

8. INCOME TAX CREDIT (Continued)

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong:		
Underprovision in prior years	<u>14</u>	<u>–</u>
	<u>14</u>	<u>–</u>
Elsewhere:		
Current charge for the year	–	121
Overprovision in prior years	<u>–</u>	<u>(561)</u>
	<u>–</u>	<u>(440)</u>
Deferred taxation	<u>(127)</u>	<u>–</u>
Total tax credit for the year	<u>(113)</u>	<u>(440)</u>

9. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

From continuing and discontinued operations

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Earnings/(loss)		
Earnings/(loss) for the purpose of basic earnings/(loss) per share		
Profit/(loss) for the year attributable to owners of the Company	3,779,374	(4,570,232)
Effect of dilutive potential ordinary shares:		
Dividends on Titan preferred shares (<i>Note</i>)	<u>14,607</u>	<u>–</u>
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	<u>3,793,981</u>	<u>(4,570,232)</u>

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

Number of shares

	2014	2013
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	7,820,554,682	7,820,554,682
Effect of dilutive potential ordinary shares:		
Titan preferred shares (<i>Note</i>)	<u>555,000,000</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u><u>8,375,554,682</u></u>	<u><u>7,820,554,682</u></u>

From continuing operations

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

Earnings/(loss) figures are calculated as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit/(loss) for the year attributable to owners of the Company	3,779,374	(4,570,232)
<i>Add/(less):</i>		
Loss/(profit) for the year from discontinued operation	<u>166,463</u>	<u>(247,478)</u>
Earnings/(loss) for the purpose of basic earnings/(loss) per share from continuing operations	3,945,837	(4,817,710)
Effect of dilutive potential ordinary shares:		
Dividends on Titan preferred shares (<i>Note</i>)	<u>14,607</u>	<u>–</u>
Earnings/(loss) for the purpose of diluted earnings/(loss) per share from continuing operations	<u><u>3,960,444</u></u>	<u><u>(4,817,710)</u></u>

Note:

As the Company failed to redeem the Titan preferred shares, the convertible right was deemed to continue for the purpose of calculating diluted earnings/(loss) per share. No adjustment have been made to the basic loss per share amounts presented for the year ended 31 December 2013 as the convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

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

From discontinued operation

Basic loss per share for the discontinued operation is HK2.12 cents per share (2013: earnings per share of HK3.16 cents) and diluted loss per share for the discontinued operation is HK1.99 cents per share (2013: earnings per share of HK3.16 cents), based on the loss for the year from the discontinued operation of HK\$166,463,000 (2013: profit of HK\$247,478,000) and the denominators detailed above for both basic and diluted earnings/(loss) per share.

10. INVESTMENT PROPERTY

In the prior year, a piece of land located in Fujian, subsequent to initial recognition, was stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation was recognised so as to write off the cost of land over its estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. According to the Board resolution dated 2 May 2014, the use of the land in Fujian changed from own use to investment purpose. As a result, the land has been reclassified as an investment property and the measurement method subsequent to initial recognition has been changed to fair values. Any change in fair value of the land after reclassification is included in profit or loss for the year in which they arise.

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:

	The Group	
	2014	2013
	HK\$'000	HK\$'000
1 to 3 months	—	181
	<u>—</u>	<u>181</u>
	<u>—</u>	<u>181</u>

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	
	2014	2013
	HK\$'000	HK\$'000
7 to 12 months	–	19
Over 12 months	217,731	351,389
	217,731	351,408

13. OTHER PAYABLES AND ACCRUALS

	The Group	
	2014	2013
	HK\$'000	HK\$'000
Amounts due to deconsolidated subsidiaries (<i>Note 5(c)</i>)	390,121	4,222,659
Amounts due to a deconsolidated jointly-controlled entity	174,665	175,298
Financial guarantee contracts (<i>Note 20</i>)	113,155	–
Receipt in advance	23,400	23,400
Others	72,759	98,948
	774,100	4,520,305

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.

On the maturity date, 19 March 2012, the Company was unable to repay overdue principal and interest on the Senior Note 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.

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

The effective interest rate on the Senior Notes Due 2012 was 0.00% per annum in 2014 (2013: 8.50%). The outstanding principal in respect of the Senior Notes Due 2012 as at 31 December 2014 was US\$105,870,000 (equivalent to approximately HK\$825,786,000) (2013: 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 2014 and 2013 was US\$9,528,000 (equivalent to approximately HK\$74,321,000) and US\$6,222,000 (equivalent to approximately HK\$48,515,000), respectively.

The Senior Notes Due 2012, Convertible Notes Due 2015 and PIK Notes Due 2015 are collectively defined as “Existing Notes”.

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

Pursuant to the Creditors’ Scheme of arrangement (the “Creditors’ Scheme”), the creditors of Existing Notes will settle their claims in exchange 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; 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;

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

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;

On 14 August 2014, the Company and notes creditors of Senior Notes Due 2012 and certain notes creditors constituting the informal creditors’ committee entered into an agreement, pursuant to which, the claims of those creditors of Existing Notes shall be compromised under the terms of a scheme of arrangement in Bermuda on the basis of the terms announced by the Company on 25 November 2013. Further details in respect of the above are included in the Company’s announcement dated 1 September 2014.

On 22 October 2014, separate meetings of the creditors of Existing Notes and of Non-Note Creditors (as defined in the Creditors’ Scheme (the “Scheme Meetings”) were held on the same date to consider and approve the Creditors’ Scheme. At both Scheme Meetings, a majority in number of the Scheme Creditors present and voting (in person or by proxy), representing not less than three-fourths in value of the accepted claims of Scheme Creditors present and voting (either in person or by proxy), have voted in favour of the Creditors’ Scheme. Accordingly, the Creditors’ Scheme was duly approved at the Scheme Meetings. Further details in respect of the above are included in the Company’s announcement dated 22 October 2014.

On 5 November 2014 (Bermuda time), the Creditors’ Scheme was sanctioned by the Bermuda Court on the same date and became effective and binding on all Scheme Creditors upon a copy of the Order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Bermuda Companies Act 1981 (the “Act”) on the same date. Further details in respect of the above are included in the Company’s announcement dated 6 November 2014.

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

On 12 November 2014, a notice was given that pursuant to the terms of the Creditors’ Scheme, the Bar Time shall be 5:00 p.m. (Hong Kong time) on 5 February 2015; and Scheme Creditors who fail to submit an Account Holder Letter (for each Note Creditor) or Notice of Claim (for each Non-Note Creditor) prior to the Bar Time shall have no entitlement to Scheme Consideration in respect of any accepted liabilities under the Creditors’ Scheme. Further details in respect of the above are included in the Company’s announcement dated 12 November 2014.

At the hearing held on 6 March 2015, the Bermuda Court ordered to extend the long-stop date of the Creditors’ Scheme of the Company to 31 July 2015. Further details in respect of above are included in the Company’s announcement on 9 March 2015.

Except for the reversal of overprovision of interest on Senior Notes Due 2012 for prior years, the Company has not recognised any gain derived from the Creditors’ Scheme for the year ended 31 December 2014.

The Company has entered into certain agreements in relation to settlement of outstanding debts of the Group. Further announcement(s) will be made by the Company as and when appropriate.

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 are 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 years ended 31 December 2014 and 2013, 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 0.00% per annum in 2014 (2013: 12.22%).

**15. GUARANTEED SENIOR CONVERTIBLE NOTES (THE “CONVERTIBLE NOTES DUE 2015”)
(Continued)**

On 31 December 2014, the outstanding principal of the Convertible Notes Due 2015 was US\$47,960,000 (equivalent to approximately HK\$374,088,000) (2013: US\$47,960,000 (equivalent to approximately HK\$374,088,000)).

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 21.

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

Pursuant to the Creditors' Scheme, the creditors of Existing Notes will settle their claims in exchange 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; 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;

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

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;

On 14 August 2014, the Company and notes creditors of Convertible Notes Due 2015 and certain notes creditors constituting the informal creditors' committee entered into an agreement, pursuant to which, the claims of those creditors of Existing Notes shall be compromised under the terms of a scheme of arrangement in Bermuda on the basis of the terms announced by the Company on 25 November 2013. Further details in respect of the above are included in the Company's announcement dated 1 September 2014.

On 22 October 2014, the Scheme Meetings were held on the same date to consider and approve the Creditors' Scheme. At both Scheme Meetings, a majority in number of the Scheme Creditors present and voting (in person or by proxy), representing not less than three-fourths in value of the accepted claims of Scheme Creditors present and voting (either in person or by proxy), have voted in favour of the Creditors' Scheme. Accordingly, the Creditors' Scheme was duly approved at the Scheme Meetings. Further details in respect of the above are included in the Company's announcement dated 22 October 2014.

On 5 November 2014 (Bermuda time), the Creditors' Scheme was sanctioned by the Bermuda Court on the same date and became effective and binding on all Scheme Creditors upon a copy of the Order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Act on the same date. Further details in respect of the above are included in the Company's announcement dated 6 November 2014.

**15. GUARANTEED SENIOR CONVERTIBLE NOTES (THE “CONVERTIBLE NOTES DUE 2015”)
(Continued)**

On 12 November 2014, a notice was given that pursuant to the terms of the Creditors’ Scheme, the Bar Time shall be 5:00 p.m. (Hong Kong time) on 5 February 2015; and Scheme Creditors who fail to submit an Account Holder Letter (for each Note Creditor) or Notice of Claim (for each Non-Note Creditor) prior to the Bar Time shall have no entitlement to Scheme Consideration in respect of any accepted liabilities under the Creditors’ Scheme. Further details in respect of the above are included in the Company’s announcement dated 12 November 2014.

At the hearing held on 6 March 2015, the Bermuda Court ordered to extend the long-stop date of the Creditors’ Scheme of the Company to 31 July 2015. Further details in respect of the above are included in the Company’s announcement on 9 March 2015.

Except for the reversal of overprovision of interest on Convertible Notes Due 2015 for prior years, the Company has not recognised any gain derived from the Creditors’ Scheme for the year ended 31 December 2014.

The Company has entered into certain agreements in relation to settlement of outstanding debts of the Group. Further announcement(s) will be made by the Company as and when appropriate.

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 8.50% 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 a pledge of the Subsidiary Guarantors shares. Details of the principal terms of the PIK Notes Due 2015 are more fully described in the Company’s announcement dated 9 June 2010.

The PIK Notes Due 2015 are carried at amortised cost with an effective interest rate of 0.00% per annum in 2014 (2013: 8.50%). At 31 December 2014, the outstanding principal of the PIK Notes Due 2015 was US\$10,912,751 (equivalent to approximately HK\$85,119,458) (2013: US\$12,364,095 (equivalent to approximately HK\$96,439,942)).

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 21.

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

**16. GUARANTEED SENIOR PAYMENT-IN-KIND NOTES (THE “PIK NOTES DUE 2015”)
(Continued)**

Pursuant to the Creditors’ Scheme, the creditors of Existing Notes will settle their claims in exchange 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; 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;

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

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;

On 14 August 2014, the Company and notes creditors of PIK Notes Due 2015 and certain notes creditors constituting the informal creditors’ committee entered into an agreement, pursuant to which, the claims of those creditors of Existing Notes shall be compromised under the terms of the Creditors’ Scheme in Bermuda on the basis of the terms announced by the Company on 25 November 2013. Further details in respect of the above are included in the Company’s announcement dated 1 September 2014.

On 22 October 2014, the Scheme Meetings were held on the same date to consider and approve the Creditors’ Scheme. At both Scheme Meetings, a majority in number of the Scheme Creditors present and voting (in person or by proxy), representing not less than three-fourths in value of the accepted claims of Scheme Creditors present and voting (either in person or by proxy), have voted in favour of the Creditors’ Scheme. Accordingly, the Creditors’ Scheme was duly approved at the Scheme Meetings. Further details in respect of the above are included in the Company’s announcement dated 22 October 2014.

On 5 November 2014 (Bermuda time), the Creditors’ Scheme was sanctioned by the Bermuda Court on the same date and became effective and binding on all Scheme Creditors upon a copy of the Order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Act on the same date. Further details in respect of the above are included in the Company’s announcement dated 6 November 2014.

On 12 November 2014, a notice was given that pursuant to the terms of the Creditors’ Scheme, the Bar Time shall be 5:00 p.m. (Hong Kong time) on 5 February 2015; and Scheme Creditors who fail to submit an Account Holder Letter (for each Note Creditor) or Notice of Claim (for each Non-Note Creditor) prior to the Bar Time shall have no entitlement to Scheme Consideration in respect of any accepted liabilities under the Creditors’ Scheme. Further details in respect of the above are included in the Company’s announcement dated 12 November 2014.

At the hearing held on 6 March 2015, the Bermuda Court ordered to extend the long-stop date of the Creditors’ Scheme of the Company to 31 July 2015. Further details in respect of the above are included in the Company’s announcement on 9 March 2015.

Except for the reversal of overprovision of interest on PIK Notes Due 2015 for prior years, the Company has not recognised any gain derived from the Creditors’ Scheme for the year ended 31 December 2014.

The Company has entered into certain agreements in relation to settlement of outstanding debts of the Group. Further announcement(s) will be made by the Company as and when appropriate.

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. The fair values of the liability portion of the Titan preferred shares was estimated at the issuance date.

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.

On 12 October 2012, GZE has informed the Company that it (through one of its wholly owned subsidiaries) has agreed, subject to the fulfillment of certain conditions precedent, to acquire all beneficial interests in the Titan preferred shares from SPHL.

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, Titan TQSL, 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 Titan TQSL 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 2014, the fair value of the embedded derivatives asset was HK\$Nil (2013: HK\$Nil).

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 in 2013 represented the derecognition of derivative financial instruments of the K-Line Notes Due 2013 when it was due on 31 March 2013.

On 17 April 2014, the Company and Titan Shipyard Holdings Limited ("Shipyard Holdings") entered into a support agreement (the "Support Agreement") with the holder of K-Line Notes Due 2013, K-Line (being one of the creditors of Unsecured Claim), pursuant to which the parties have agreed that the claims of K-Line under the K-Line Notes Due 2013 shall be compromised, terminated and/or discharged upon its receipt of consideration being no less than HK\$0.10 for every HK\$1.00 of the agreed claim amounts in cash under the Restructuring by way of participation in the Creditors' Scheme or otherwise. And K-Line has agreed to support the debt restructuring and the Creditors' Scheme and has agreed to effect the compromise of its claims in respect of the K-Line Notes Due 2013 either within the Creditors' Scheme or pursuant to a separate settlement agreement conditional upon the Creditors' Scheme becoming effective.

Except for the reversal of overprovision of interest on K-Line Notes Due 2013 for prior years, the Company has not recognised any gain derived from the Creditors' Scheme for the year ended 31 December 2014.

Details of the Support Agreement are set out in the announcement of the Company dated 5 May 2014 and 30 May 2014.

19. SHARE CAPITAL

Shares

	The Group			
	2014	Nominal value of shares <i>HK\$'000</i>	2013	Nominal value of shares <i>HK\$'000</i>
	Number of shares		Number of shares	
Authorised:				
Ordinary shares of HK\$0.01 each at 31 December	<u>14,445,000,000</u>	<u>144,450</u>	<u>14,445,000,000</u>	<u>144,450</u>
Convertible preferred shares of HK\$0.01 each at 31 December	<u>555,000,000</u>	<u>5,550</u>	<u>555,000,000</u>	<u>5,550</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each at 1 January and 31 December	<u>7,820,554,682</u>	<u>78,206</u>	<u>7,820,554,682</u>	<u>78,206</u>
Convertible preferred shares of HK\$0.01 each at 1 January and 31 December	<u>555,000,000</u>	<u>5,550</u>	<u>555,000,000</u>	<u>5,550</u>

Notes:

- a) During the years ended 31 December 2014 and 2013, 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.

20. GUARANTEES

As at 31 December 2014, guarantees with aggregated amounts of HK\$321,996,000 (2013: HK\$346,978,000) 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 which was put into liquidation in 2014 and (iii) the K-Line Notes Due 2013.

As at 31 December 2014, an amount of HK\$321,996,000 (2013: HK\$346,978,000) has been recognised in the Company's statement of financial position.

As at 31 December 2014, guarantees in the aggregate amount of HK\$113,155,000 (2013: HK\$Nil) had been provided to a deconsolidated subsidiary to ship owners for the charter hire expenses. They had been utilised and recognised as liabilities in the consolidated statement of financial position.

Other than those as disclosed above, the Group and the Company had no other material guarantees outstanding as at 31 December 2014 and 2013.

21. CONTINGENT LIABILITIES

Arbitrations

Arbitrations between KTL Mayfair Inc. (“Mayfair”) and the Company and the Arbitrations between Mayfair and 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.

On 5 May 2014, the Company announced that the Company and TSL entered into a settlement agreement (the “Settlement Agreement”) with Camden, Edinburgh Navigation S.A. (“Edinburgh”) and Mayfair (collectively, the “Creditors”) on 2 May 2014, pursuant to which the parties have agreed:

- a) on the amounts of the claims by Camden, Edinburgh and Mayfair (collectively, the “Creditor Debt”) to be recognised as unsecured claims (the “Agreed Claim Amounts”) in the Restructuring by way of the Creditors’ Scheme as announced by the Company on 25 November 2013;
- b) that subject to and upon receipt by the Creditors of the full cash payment under the Creditors’ Scheme of HK\$0.10 for every HK\$1.00 of the Agreed Claim Amounts (the “Settlement Payment”), the parties will be released from all liabilities arising out of or in connection with the Creditor Debt, the Creditor Debt Documents and the subject matter thereof and any previous arrangement between the Company, TSL and the Creditors in relation to the Arbitration Proceedings;
- c) that promptly and in any event within three business days of the date of the Settlement Agreement, the parties will take all steps reasonably required to effect a stay of the Arbitration Proceedings; and
- d) that promptly and in any event within three business days of the date of the Settlement Payment has been made, the parties will take all steps to inform the arbitral tribunal that the Arbitration Proceedings have been settled and/or terminated.

Further, each of the Creditors has agreed under the Settlement Agreement that:

- i) during the Support Period, it will take any actions that are reasonably required to facilitate the Restructuring, including taking all reasonable steps necessary to vote in favor of the Creditors’ Scheme;
- ii) until expiry of the Support Period or such other period as agreed between the parties, it will not oppose any application by the Company for any adjournment of the petition for the winding up of the Company pending before the Bermuda Court; and
- iii) subject to the terms of the Settlement Agreement, it will not, during the Support Period, commence any legal or Arbitration Proceedings or insolvency proceedings against the Company or any of its subsidiaries in relation to the Creditor Debt Documents.

21. CONTINGENT LIABILITIES (Continued)

Arbitrations (Continued)

Arbitrations between KTL Mayfair Inc. (“Mayfair”) and the Company and the Arbitrations between Mayfair and TSL (Continued)

“Support Period”, under the Settlement Agreement means the period between the date of the Settlement Agreement and the date upon which the Settlement Agreement terminates, being the earlier of:

- 1) 31 December 2014 (or such later date as may be agreed between the parties);
- 2) the date on which a final non appealable order of a governmental body of competent jurisdiction first comes into effect prohibiting the implementation and consummation of the Restructuring;
- 3) the date on which an order is made in any jurisdiction for the winding up of the Company;
- 4) the Company’s failure, within 5 business days of receipt of a notice from any of the Creditors notifying the Company its intention to treat the Settlement Agreement as having terminated, to withdraw a condition, term or modification of the Restructuring proposed by the Company to the Bermuda Court or the Company’s unsecured creditors, the addition of which condition or term to the Restructuring or which modification of the Restructuring would affect certain rights of the Company’s unsecured creditors under the Creditors’ Scheme as set out in the Settlement Agreement; and
- 5) the date on which the scheme document is deposited with the Bermuda Registrar of Companies following sanction of the Creditors’ Scheme by the Bermuda Court and approval by qualifying majorities of creditors.

The Scheme Meetings were held on 22 October 2014 as scheduled to consider and, if thought fit, approve the Creditors’ Scheme. Mayfair present and voting by proxy has voted in favour of the Creditors’ Scheme. Accordingly the Creditors’ Scheme was duly approved at the Scheme Meetings. Further details in respect of the above are included in the Company’s announcement dated 22 October 2014.

The Creditors’ Scheme was sanctioned by the Bermuda Court on 5 November 2014 and became effective and binding on all Scheme Creditors (as defined in the Creditors’ Scheme) upon a copy of the Order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Act on 5 November 2014. Further details in respect of the above are included in the Company’s announcement dated 6 November 2014.

At the hearing held on 6 March 2015 (Bermuda time), the Bermuda Court ordered to extend the long-stop date of the Creditors’ Scheme of the Company to 31 July 2015. Further details in respect of the above are included in the Company’s announcement dated 9 March 2015.

21. CONTINGENT LIABILITIES (Continued)

Arbitrations (Continued)

Arbitration between the Company and 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.

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.

On 5 May 2014, the Company announced that the Company and TSL entered into the Settlement Agreement with the Creditors on 2 May 2014, pursuant to which the parties have agreed:

- a) on the Agreed Claim Amounts in the Restructuring by way of the Creditors' Scheme as announced by the Company on 25 November 2013;
- b) that subject to and upon receipt by the Creditors of the full cash payment under the Creditors' Scheme of HK\$0.10 for every HK\$1.00 of the Settlement Payment, the parties will be released from all liabilities arising out of or in connection with the Creditor Debt, the Creditor Debt Documents and the subject matter thereof and any previous arrangement between the Company, TSL and the Creditors in relation to the Arbitration Proceedings;
- c) that promptly and in any event within three business days of the date of the Settlement Agreement, the parties will take all steps reasonably required to effect a stay of the Arbitration Proceedings; and
- d) that promptly and in any event within three business days of the date of the Settlement Payment has been made, the parties will take all steps to inform the arbitral tribunal that the Arbitration Proceedings have been settled and/or terminated.

Further, each of the Creditors has agreed under the Settlement Agreement that:

- i) during the Support Period, it will take any actions that are reasonably required to facilitate the Restructuring, including taking all reasonable steps necessary to vote in favour of the Creditors' Scheme;
- ii) until expiry of the Support Period or such other period as agreed between the parties, it will not oppose any application by the Company for any adjournment of the petition for the winding up of the Company pending before the Bermuda Court; and
- iii) subject to the terms of the Settlement Agreement, it will not, during the Support Period, commence any legal or Arbitration Proceedings or insolvency proceedings against the Company or any of its subsidiaries in relation to the Creditor Debt Documents.

21. CONTINGENT LIABILITIES (Continued)

Arbitrations (Continued)

Arbitration between the Company and Edinburgh; Arbitration between the Company and Camden; Arbitration between Edinburgh and TSL and Arbitration between Camden and TSL (Continued)

“Support Period”, under the Settlement Agreement means the period between the date of the Settlement Agreement and the date upon which the Settlement Agreement terminates, being the earlier of:

- 1) 31 December 2014 (or such later date as may be agreed between the parties);
- 2) the date on which a final non appealable order of a governmental body of competent jurisdiction first comes into effect prohibiting the implementation and consummation of the Restructuring;
- 3) the date on which an order is made in any jurisdiction for the winding up of the Company;
- 4) the Company’s failure, within 5 business days of receipt of a notice from any of the Creditors notifying the Company its intention to treat the Settlement Agreement as having terminated, to withdraw a condition, term or modification of the Restructuring proposed by the Company to the Bermuda Court or the Company’s unsecured creditors, the addition of which condition or term to the Restructuring or which modification of the Restructuring would affect certain rights of the Company’s unsecured creditors under the Creditors’ Scheme as set out in the Settlement Agreement; and
- 5) the date on which the scheme document is deposited with the Bermuda Registrar of Companies following sanction of the Creditors’ Scheme by the Bermuda Court and approval by qualifying majorities of creditors.

The Scheme Meetings were held on 22 October 2014 as scheduled to consider and, if thought fit, approve the Creditors’ Scheme. Edinburgh and Camden present and voting by proxy has voted in favour of the Creditors’ Scheme. Accordingly the Creditors’ Scheme was duly approved at the Scheme Meetings. Further details in respect of the above are included in the Company’s announcement dated 22 October 2014.

The Creditors’ Scheme was sanctioned by the Bermuda Court on 5 November 2014 and became effective and binding on all Scheme Creditors (as defined in the Creditors’ Scheme) upon a copy of the Order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Act on 5 November 2014. Further details in respect of the above are included in the Company’s announcement dated 6 November 2014.

At the hearing held on 6 March 2015 (Bermuda time), the Bermuda Court ordered to extend the long-stop date of the Creditors’ Scheme of the Company to 31 July 2015. Further details in respect of the above are included in the Company’s announcement dated 9 March 2015.

21. CONTINGENT LIABILITIES (Continued)

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\$310,800,000) 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, among 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 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 Convertible Notes Due 2015 and the PIK Notes Due 2015.

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.

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 SPHL Petition pending arbitration between the Company and Camden or (b) strike out the SPHL 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 SPHL Petition 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;

21. CONTINGENT LIABILITIES (Continued)

Bermuda Proceedings (Continued)

- 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").

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 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.

21. CONTINGENT LIABILITIES (Continued)

Bermuda Proceedings (Continued)

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").

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 Act 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;

21. CONTINGENT LIABILITIES (Continued)

Bermuda Proceedings (Continued)

- 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;
- 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 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 Titan Group Investment Limited ("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 basis, 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;

21. CONTINGENT LIABILITIES (Continued)

Bermuda Proceedings (Continued)

- 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 are included in the Company's announcement dated 22 April 2014.

At the hearing held on 16 May 2014 (Bermuda time), the Bermuda Court ordered a further adjournment of the Camden Petition to 11 July 2014 (Bermuda time). Further details in respect of the above are included in the Company's announcement dated 19 May 2014.

At the hearing held on 4 June 2014, SPHL filed a notice of withdrawal of the appeal dated 29 May 2014.

At the hearing held on 11 July 2014 (Bermuda time), the Bermuda Court ordered a further adjournment of the Camden Petition to 8 August 2014 (Bermuda time). The Bermuda Court further ordered that the costs and fees of the JPLs and their advisors were to be paid out of the liquidation account. Further details in respect of the above are included in the Company's announcement dated 15 July 2014.

At the hearings held on 8 August 2014 (Bermuda time), 3 October 2014 (Bermuda time), 31 October 2014 (Bermuda time), 21 November 2014 (Bermuda time), 16 January 2015 (Bermuda time), 13 March 2015 (Bermuda time) and 27 March 2015 (Bermuda time), the Bermuda Court ordered a further adjournment of the Camden Petition to 3 October 2014 (Bermuda time), 31 October 2014 (Bermuda time), 21 November 2014 (Bermuda time), 16 January 2015 (Bermuda time), 13 March 2015 (Bermuda time), 27 March 2015 (Bermuda time) and 10 April 2015 (Bermuda time), respectively. Further details in respect of the above are included in the Company's announcement dated 11 August 2014, 6 October 2014, 3 November 2014, 25 November 2014, 19 January 2015, 16 March 2015 and 30 March 2015 respectively.

BVI Proceedings

On 18 June 2012, the Company received from Saturn Storage Limited ("SSL") two notices to exercise its redemption rights under the 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 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 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.

21. CONTINGENT LIABILITIES (Continued)

BVI Proceedings (Continued)

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

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

The Company, TGIL, TOSIL and SSL have been in negotiations on the BVI proceeding, however, up to the date of this announcement, the liquidation procedure of TGIL has commenced and the liquidation is not completed.

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, among 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, among 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 has obtained the permission from the Bermuda Court to enter into a deed of settlement with SSL and other relevant parties relating to the Hong Kong proceedings on 12 December 2014. Further details in respect of the above are included in the Company announcement dated 2 January 2015.

The Hong Kong Court fixed a second case management conference for hearing on 21 November 2014 and further adjourned to 13 March 2015. On 12 March 2015, the Hong Kong Court ordered (by consent) that (i) the second case management conference due to be heard on 13 March 2015 be vacated and adjourned to 7 July 2015; and (ii) all further proceedings be stayed until 30 April 2015 pending finalisation of the global settlement among the parties. Further details in respect of the above are included in the Company’s announcement dated 25 November 2014 and 30 March 2015 respectively.

21. CONTINGENT LIABILITIES (Continued)

PRC Proceedings

On 11 December 2010, the Company entered into (i) 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 RMB1,465,670,000 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\$2,123,260,000).

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, among 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 上海市高级人民法院 (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, among 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.

21. CONTINGENT LIABILITIES (Continued)

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 GCL 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 the 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 GCL 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.

The GCL Sale and Purchase Agreement will be terminated subject to certain terms and conditions. Further details of the termination will be disclosed in a separate announcement to be released by the Company.

Other than the contingent liabilities as disclosed above, the Group and the Company had no other material contingent liabilities as at 31 December 2014 and 31 December 2013.

22. EVENTS AFTER THE REPORTING PERIOD

Listing status

As disclosed in the announcement of the Company dated 26 November 2013, the Listing Division of the Stock Exchange issued a letter on 22 November 2013 to inform the Company that they have decided to place the Company in the second stage of delisting under Practice Note 17 to the Listing Rules and required the Company to submit a viable resumption proposal at least 10 business days before the second stage of delisting expires (i.e. 5 May 2014).

The Company has submitted a resumption proposal on 5 May 2014 (and the updated versions of the resumption proposals in response to the comments from the Stock Exchange have been submitted on 10 June 2014, 22 August 2014, 16 September 2014, 10 October 2014 and 25 November 2014 respectively). As disclosed in the Company's announcement dated 2 December 2014, the Board announced that as informed by a letter dated 1 December 2014, the Stock Exchange has decided to allow the Company to proceed with the Resumption Proposal subject to satisfying the following conditions by 31 May 2015:

- 1) completion of the transactions under the Resumption Proposal;
- 2) completion of the internal control review indicating no material deficiency;
- 3) withdrawal or dismissal of the winding up petition and discharge of the JPLs;
- 4) inclusion in a circular to the Shareholders:
 - a) a profit forecast for the two years ending 31 December 2015 and 2016 together with reports from the auditors and the financial adviser under Rules 14.62(2) and (3) of the Listing Rules;
 - b) a pro forma balance sheet upon completion of the Resumption Proposal; and
 - c) a statement from the Directors (including the proposed directors) confirming working capital sufficiency for at least 12 months from trading resumption and a comfort letter from the auditors on the Directors' statement.

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.

Pursuant to the terms of the Management Services Agreement, a supplemental agreement has been entered into on 30 December 2014 to extend the long stop date under the Management Services Agreement from 31 December 2014 to 31 May 2015. Apart from the above, all other terms and conditions of the Management Services Agreement shall remain unchanged.

22. EVENTS AFTER THE REPORTING PERIOD (Continued)

The Share Subscription Agreements

The Company entered into three subscription agreements with CGL Resources, New Berkeley and Wahan Investments (together with CGL Resources Limited (“CGL Resources”), New Berkeley Corporation (“New Berkeley”) and Wahan Investments Limited (“Wahan Investments”), collectively, the “Subscribers”) on 9 April 2013, 9 April 2013 and 29 April 2013, respectively, in relation to the subscription by the Subscribers of convertible bonds to be issued by the Company.

The relevant convertible bonds subscription agreements lapsed and the Subscribers separately entered into Share Subscription Agreements with the Company on 5 May 2014. The completions of the Share Subscription Agreements were subject to the fulfillment of certain conditions precedent on or before 31 December 2014 (the “Long Stop Date”).

On 25 February 2015, The Company announced that FEG that CGL Resources and New Berkeley will not extend the Long Stop Date and therefore the relevant Share Subscription Agreements lapsed and became null and void. The Company is still in discussion with Wahan Investments for the extension of the Long Stop Date. Further details in respect of the above are included in the Company’s announcement dated 25 February 2015.

On 27 March 2015, a subscription agreement has been entered into between the Company and Victory Stand Limited (“Victory Stand Subscription Agreement”), for the subscription of certain shares together with unlisted warrants of the Company. The major terms and conditions of the Victory Stand Subscription Agreement are substantially, the same as those under the share subscription agreements dated 5 May 2014 entered into by the Company with CGL Resources and New Berkeley. Details of the subscription agreement will be disclosed in the announcement to be released by the Company in due course. Further details in respect of the above are included in the Company’s announcement dated 30 March 2015.

Loan agreement with Fame Dragon

On 27 February 2015, the Company entered into a loan agreement with Fame Dragon pursuant to which Fame Dragon agreed to provide a financing on request of the Company of US\$10 million (equivalent to approximately HK\$78 million) at an interest rate of 2% payable on maturity, repayable upon (i) 2 years or (ii) completion of the Creditors’ Scheme and received dividends payable by the Liquidators of TGIL, whichever occurs earlier. The loan is unsecured. Pursuant to the loan agreement, the loan was to support the restructuring of the debts of the Company.

The Company has entered into certain agreements in relation to settlement of outstanding debts of the Group. Further announcement(s) will be made by the Company as and when appropriate.

22. EVENTS AFTER THE REPORTING PERIOD (Continued)

Creditors' Scheme

By an order dated 15 September 2014, the Bermuda Court directed the Scheme Meetings of the Scheme Creditors which were then held on 22 October 2014. The Bermuda Court has ordered the Scheme Meetings with the Note Creditors and Non-Note Creditors respectively. During the Scheme Meetings, a majority in number of the Scheme Creditors present and voting, representing not less than three-fourths in value of the accepted claims of the Scheme Creditors present and voting, have voted in favor to the Creditors' Scheme. Accordingly, the Creditors' Scheme was duly approved at the Scheme Meetings.

By an order dated 5 November 2014 (Bermuda time), the Bermuda Court sanctioned the proposed Creditors' Scheme between the Company and its Scheme Creditors. The Creditors' Scheme became effective and binding on the Company and all of the Scheme Creditors on 5 November 2014 (Bermuda time), upon the delivery of a copy of the order to the Bermuda Registrar of Companies.

Pursuant to the terms of the Creditors' Scheme, the Bar Time was set on 5 February 2015. In order to be entitled to receive consideration under the Creditors' Scheme in respect of any accepted liabilities:–

- i) Each Note Creditor must ensure that a duly completed account holder letter is prepared by the relevant account holder and lodged with the information agent prior to the Bar Time; and
- ii) Each Non-Note Creditor must ensure that a duly completed notice of claim is submitted to the information agent prior to the Bar Time.

The Scheme Creditors who fail to submit an account holder letter or notice of claim prior to the Bar Time shall have no entitlement to Scheme Consideration under the Scheme.

At the hearing held on 6 March 2015 (Bermuda time), the Bermuda Court ordered to extend the long-stop date to 31 July 2015. Details of the above were set in the Company's announcement dated 22 September 2014, 22 October 2014, 6 November 2014, 12 November 2014, 18 February 2015, 3 March 2015, 9 March 2015 and 16 March 2015.

23. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2014 (2013: Nil).

AUDITORS' OPINION

The auditors' opinion on the Group's financial statements for the year ended 31 December 2014 as set out below:

BASIS FOR DISCLAIMER OF OPINION

(a) Scope limitation – Subsidiaries operated in Singapore

During the year ended 31 December 2014, several subsidiaries operated in Singapore were placed into liquidation and the directors of the Group consider that the Group has lost its control over these subsidiaries. The deconsolidation of these subsidiaries operated in Singapore had resulted a gain on deconsolidation of subsidiaries of approximately HK\$4,134,534,000. As disclosed in note 2.1 to the consolidated financial statements, partial books and records of the subsidiaries operated in Singapore 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 any available records have been under the control of liquidators. Consequently, we were unable to obtain sufficient appropriate audit evidence in respect of the balances as set out below which has been included in the gain on deconsolidation of subsidiaries for the year ended 31 December 2014:

	HK\$'000
Prepayments, deposits and other receivables	11,679
Amounts due from deconsolidated fellow subsidiaries	2,087,170
Amounts due to the intermediate holding company	(134,987)
Amounts due to fellow subsidiaries	(476)
Amounts due to deconsolidated fellow subsidiaries	(5,918,946)
Accounts payable	(133,710)
Other payables and accruals	(46,710)
	<hr/>
Net liabilities of deconsolidated subsidiaries attributable to the Group	(4,135,980)
Release of exchange fluctuation reserve	1,446
	<hr/>
Gain on deconsolidation of subsidiaries	<u>(4,134,534)</u>

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 subsidiaries operated in Singapore. 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 2014, the gain on deconsolidation of subsidiaries and the net profit and cash flows of the Group for the year ended 31 December 2014 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 subsidiaries operated in Singapore.

b) Scope limitation – Impairment of other receivables

Included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014 was impairment of other receivables of approximately HK\$1,214,000 (the "Impairment of Other Receivables"). We were unable to obtain sufficient appropriate audit evidence regarding the Impairment of Other Receivables because (i) there was inadequate documentary evidence available for us to verify the identity and nature of the other receivables; (ii) we were unable to carry out any effective confirmation procedures in relation to the other receivables 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 other receivables were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Impairment of Other Receivables were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balance of the impairment of other receivables, the balances of the Group's other receivables, the Group's net liabilities as at 31 December 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, 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 – Property, plant and equipment and prepaid land/seabed lease payments of a disposal group classified as held for sale

As disclosed in note 6 to the financial statements and included in the consolidated statement of financial position as at 31 December 2014 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 Land/Seabed Lease Payments”) with net carrying amounts of approximately HK\$2,488,687,000 and HK\$306,345,000 respectively and related deferred tax liabilities of approximately HK\$59,203,000. The directors are of the opinion that the carrying amounts of the Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments included in the consolidated statement of financial position were lower than their fair values less cost to sell amounts and therefore, no impairment on the Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments was made during the year ended 31 December 2014. 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 Land/Seabed 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 Land/Seabed Lease Payments as at the end of the reporting period and therefore, as to whether the carrying amounts on the Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments as at 31 December 2014 are fairly stated. Any adjustment to the carrying amounts on the Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments as at 31 December 2014 would have a consequential impact on the loss from discontinued operation for the year ended 31 December 2014, 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 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, 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 6 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2014 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\$21,437,000 (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 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, 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 6 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2014 were accounts and bills payables of the QZ Shipyard of approximately HK\$93,861,000 owed 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 Payables 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 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, 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 6 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2014 were other payables and accruals of the QZ Shipyard of approximately HK\$416,533,000 (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 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, 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 2014 was amounts due to a deconsolidated jointly-controlled entity of approximately HK\$174,665,000 (the “Amounts with the Deconsolidated Jointly-Controlled Entity”). We were unable to obtain sufficient appropriate audit evidence regarding the Amounts with the Deconsolidated Jointly-Controlled Entity 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; (ii) we were unable to carry out any effective confirmation procedures in relation to the Amounts with the Deconsolidated Jointly-Controlled Entity 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 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 2014, the Group’s net liabilities at as 31 December 2014, and consequently net profit and cash flows of the Group for the year ended 31 December 2014, 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 2014 was amounts due to deconsolidated subsidiaries of approximately HK\$390,121,000 (the “Amounts due to Deconsolidated Subsidiaries”). Included in the consolidated statement of profit or loss for the year ended 31 December 2014 was impairment of amounts due from deconsolidated subsidiaries of approximately HK\$135,461,000 (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 2014, the Group’s net liabilities as at 31 December 2014, and consequently net profit and cash flows of the Group for the year ended 31 December 2014 and the related disclosures thereof in the consolidated financial statements.

f) Scope limitation – Financial guarantee contracts and commitments

Included in the balances of other payables and accruals in the consolidated statement of financial position as at 31 December 2014 was financial guarantee liabilities of approximately HK\$113,155,000 and as disclosed in notes 43 and 42 to the consolidated financial statements were financial guarantee contracts issued and commitments committed by the Group. We were 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 2013 and 2014; (ii) we were unable to satisfy ourselves the measurements of the financial guarantee contracts and commitments for the years ended 31 December 2013 and 2014 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 2013 and 2014 respectively, the Company's interests in subsidiaries and consequently net profit and cash flows of the Group and the Company for the years ended 31 December 2013 and 2014, 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 2015 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 2015 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 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, 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 2014 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 2014.

Any adjustments that might have been found necessary may have an effect on the Group’s net liabilities as at 31 December 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, 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 2013. In addition, the auditors’ report dated 30 April 2014 in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2013 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 2013 and 2014 and its results for the years ended 31 December 2013 and 2014, 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 2014 and 2013 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, as at 31 December 2014, the Group's current liabilities exceeded its current assets by approximately HK\$3,816,444,000 and its total liabilities exceeded its total assets by approximately HK\$3,832,634,000.

As disclosed in notes 26, 30, 31, 32, 33 and 34 to the consolidated financial statements, the Group was in default on repayments of interest-bearing bank and other loans of approximately HK\$5,850,000, fixed rate guaranteed senior notes of approximately HK\$882,329,000, guaranteed senior convertible notes of approximately HK\$441,753,000, guaranteed senior payment-in-kind notes of approximately HK\$88,657,000, convertible preferred shares of approximately HK\$420,717,000 and notes payable of approximately HK\$202,896,000.

As disclosed in note 44 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. The proceedings is still ongoing and 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), 17 April 2014 (Bermuda time), 16 May 2014 (Bermuda time), 11 July 2014 (Bermuda time), 8 August 2014 (Bermuda time), 3 October 2014 (Bermuda time), 31 October 2014 (Bermuda time), 21 November 2014 (Bermuda time), 16 January 2015 (Bermuda time), 13 March 2015 (Bermuda time) and 27 March 2015 (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 2014 and the profit 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 2014 and of the Group's profit 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 SECTION 80(1) OF SCHEDULE 11 TO THE HONG KONG COMPANIES ORDINANCE (CAP. 622), WITH REFERENCE TO SECTIONS 141(4) AND 141(6) OF THE PREDECESSOR HONG KONG COMPANIES ORDINANCE (CAP.32)

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the items stated under basis for disclaimer of opinion for the year ended 31 December 2014 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 2014 (2013: 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 2014 except for the deviations set out below.

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. As announced on 22 October 2014, Mr. Zhao Xu Guang, the Chairman of the Board, has been appointed as Chief Executive with effect from 23 October 2014. Mr. Zhao is both the Chairman and Chief Executive of the Company. The Board considers that this dual role is essential as he can manage the strategic development of business and operation of the Group whilst at this time re-build and develop the Group's business as well as the organization structure and the team development.

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, 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 2014.

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 and one non-executive director.

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, Mr. Lau Yiu Kit (appointed on 23 March 2015) and Mr. Hu Zhong Shan (appointed on 23 March 2015). 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. Mr. Cheung Hok Fung Alexander (appointed on 24 March 2014) resigned as an independent non-executive director on 21 March 2015 and ceased to be a member of audit committee on 21 March 2015.

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2014 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, 31 March 2015

As at the date of this announcement, the executive Directors are Mr. Zhao Xu Guang (Chairman and Chief Executive), 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. Lau Yiu Kit.