growth & diversification on-track

Stock Code: 1192

ANNUAL REPORT 2007

Transportation

Supply Chain

Storage

Shipyard

Annual Report Theme

Four dynamic spheres in an arrowhead formation heading full speed upwards — each colour representing the Group's strategic business segments: shipyard, storage, supply chain and transportation — depicting Titan's growth and diversification are on track to reach new heights in future growth and earning prospects.

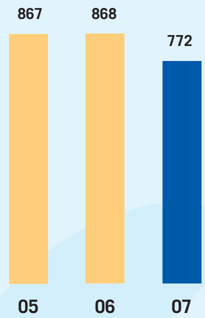
Contents

growth & diversification on-track

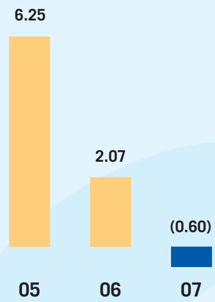
Financial Highlights

HK$ million	2007	2006
Revenue	**17,004**	11,460
Gross Profit	**457**	663
Profit from Operating Activities	**449**	495
Profit/(Loss) for the Year and Attributable to Equity Holders of the Parent	**(29)**	100
Earnings/(Loss) Per Share (HK cents)		
– Basic	**(0.60)**	2.07
– Diluted	**N/A**	2.02
Equity Attributable to Equity Holders of the Parent	**3,570**	2,049
Cash and Cash Equivalents	**1,514**	301
Return on Equity	**(1)**	5.1
Current Ratio	**1.37**	1.24
Gearing Ratio	**0.49**	0.57
Interest Cover (Times)	**0.95**	1.29

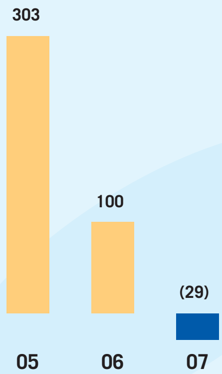
- Gearing improved year-on-year by **14%**
- Cash position increased year-on-year by **466%** to HK$2.1 billion
- Net Asset increased year-on-year by **71%** to HK$3.7 billion
- Warburg Pincus transaction enhanced liquidity to our China Terminal business
- Shipyard injection in October 2007 brings further diversity and stable profit



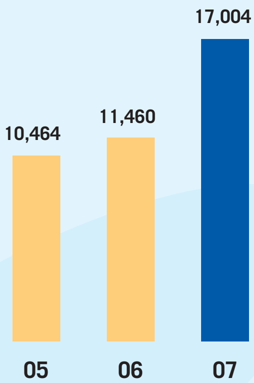
EBITDA
HK$ Million



Earnings/(loss) per share (basic)
HK Cents



Profit/(loss) for the year attributable to shareholders
HK$ Million



Revenue
HK$ Million

Chairman's Statement

TSOI Tin Chun
Chairman

Titan made significant investments across its businesses during 2007, as we continued to build our resources as a fully integrated oil logistics company to capture future growth.

However, market conditions for almost all of our businesses were very challenging in 2007. The VLCC market remained depressed for the greater part of the year, and oil prices rose higher in the second half, with increased volatility. Despite our timely decision to reduce exposure to the VLCC market and expand the customer base of our supply chain businesses, this difficult operating environment inevitably affected the Group's performance in 2007, leading to a significant decline in earnings.

"With a strong cash position, we are well placed to make further headway in 2008 and beyond, with growth driven by our investment projects in China."

In 2007, we continued our strategy of rationalizing Titan's asset base and businesses, reducing our earlier dependence on the VLCC market. We also advanced the build-out of our terminals in China, bringing in a strategic partner, and making improvements to construction budgets and scheduling. As a result, both the Group's tangible assets and its headcount have increased substantially. With a strong cash position, we are well placed to make further headway in 2008 and beyond, with growth driven by our investment projects in China.

Going forward, the increased diversification of the Group's businesses, rising prospects for our shipyard and onshore storage operations, as well as the continuing development of our integrated oil logistics capabilities puts Titan on track for future earnings stability and growth when the market recovers.

Results

The Group's revenue for the year was HK$17,004 million, an increase of 48.4% over 2006. Gross profit decreased by 31.1% to HK$457 million, while earnings before interest, tax, depreciation and amortization (EBITDA) decreased by 11.1% to HK$772 million, including a gain on vessels disposal of HK$262 million. Loss attributable to shareholders was HK$29 million, compared to a profit of HK$100 million for 2006. Against this background, the Board has decided not to declare a dividend.

Financial Resources

The Group's credit profile improved, with a much stronger cash position of HK$2,111 million at 31 December 2007. The Group's gearing stood at 0.49, compared to 0.57 at the end of 2006. Cash flow remained positive during the year and included the receipt of US$175 million (HK$1,365 million) in capital from the investment by Warburg Pincus. Capital expenditure was 42.3% lower than last year.

Business Review

Shipyard

In October 2007, the Group completed the acquisition of Titan Quanzhou Shipyard after obtaining independent shareholder approval and satisfying all other conditions. Total consideration was HK$1,326 million, split between cash and shares, and included a partial earn-out mechanism. Total revenues for the Titan Quanzhou Shipyard for 2007 were HK$114 million and segment result was HK$16 million.

Titan Quanzhou Shipyard is a unique multifunctional facility that when fully operational in 2009 will be one of the largest ship repair, offshore engineering and specialized ship building yards in Asia. Its ship building operations began in September 2006 and work on four additional docks and a second slipway started in the first quarter of 2008.

During 2007 the yard delivered its first two vessels, both 6,500 deadweight ton (dwt) bunker tankers. The yard will deliver ten ships in 2008.

Storage

In 2007, revenues from the Group's storage operations increased 120.4% to HK$212 million and segment result increased by 314.5% to HK$106 million.

Revenues came mainly from the four floating storage units (FSUs) in Malaysian waters near Singapore. There was also a small initial contribution from the first phases of the Nansha and Fujian terminals, our onshore facilities in China which started operations in late October 2006 and April 2007 respectively.

FSU revenues increased 105% to HK$197 million, while segment results rose 307.9% to HK$109 million. The growth in revenues and segment result was due to the expansion of capacity, which stood at over one million tons at the end of 2007 compared to 375,000 tons a year earlier. The additional capacity came from the strategic conversion of three VLCCs from our transportation fleet, as reported at the interim, bringing the total number in operation to four. Two of these units were leased out to major multinational oil firms, with the remaining two used to support the Group's supply and distribution businesses.

At our onshore facilities in China, utilization for the 410,000 cubic meter Nansha Terminal Phase I, declined in the second half of the year from the first half. The decrease was due to significantly lower activity and decreased volumes from customers in China, who suffered from increased market volatility and negative import margins following the surge in oil prices. Average utilization of the Nansha terminal for the 12-month period was 43%. Overall, revenues from the China terminals were HK$15 million and segment result was a loss of HK$3 million.

Despite the temporary decline in the second half of 2007, we have seen a significant increase in demand and consequently a marked improvement in utilization during the first quarter of 2008. In view of the trends in market demand, the Group has gone ahead with the construction of the 305,300 cubic meter Nansha Phase II, for completion by the end of 2008, whilst reserving another 1,084,700 cubic meters for Phase III, which will begin later, and become operational by 2010.

After Phase I of the Fujian terminal became operational in April with 90,000 cubic meters of oil and chemical storage, the Group started construction of a 100,000 dwt jetty in November 2007. This is also in response to market demand and completion is expected by end of 2009.

Construction of Phase I of the Yangshan Petrochemical Terminal, near Shanghai, which consists of 420,000 cubic meters of fuel oil storage, has progressed substantially, is expected to be operational by the second half of 2008.

Supply Chain (Supply & Distribution)

The Group's supply chain business incorporates both our supply business, which provides procurement of oil for external customers, and our bunkering or ship refueling operations in Singapore, Malaysia and Hong Kong, which act as the internal customer for our supply operations. In 2007, Titan had risen to become the eighth largest supplier of bunkering services in Singapore from our number 10 ranking in 2006 — a considerable achievement for a business we entered only in 2004. Our bunkering businesses in Malaysia and Hong Kong also gained ground.

Revenues for the business in 2007 increased by 66.4% to HK$15,442 million and segment result decreased 27.8% to HK$54 million. The decline in segment result came mainly in the second half of the year. During the first half, oil prices were relatively low and stable, leading to robust demand. As a result, Titan enjoyed high volumes and good margins for both cargoes and bunker supply. In the second half, a surge in oil prices resulted in import margins in the China market turning negative, in turn leading to slower demand for oil. This was also exacerbated by an increase of market volatility and competition at the same time. With both volumes and margins going much lower, profit declined significantly.

Total sales at the supply business in 2007 were 4.1 million tons compared to 2.7 million tons in 2006, while volumes for the bunkering businesses in Singapore, Malaysia and Hong Kong were 2.83 million tons.

Transportation

Revenues from transportation in 2007 were HK$1,237 million, a decrease of 40.6% compared to 2006. Segment result for the year, including gain on vessel disposals, decreased by 12.4% to HK$390 million.

The decline in revenues was partly the result of our asset management program, under which we sold two VLCCs, and five medium to smaller sized tankers, resulting in a total net book gain of US$33.6 million. We also deployed four VLCCs to

Floating Storage Units (FSUs) to take advantage of strong demand in the storage market. As a result, our fleet capacity decreased from 3.51 million at the end of 2006 to 2.13 million dwt at the end of 2007.

The decrease in segment result was due both to the reduced fleet capacity and the extremely poor VLCC market. The Group experienced lower average VLCC earnings as a result of weak freight rates in the first 11 months of the year. On the Middle East — Far East route, World Scale rates for the year to November 2007 were WS67.5 and although the whole year average reached WS78.6, this was still significantly lower than the 2006 average rate of WS95.75. At the same time, operating costs were impacted by higher bunker costs, with the average fuel price per ton rising 20% over 2006. Although the VLCC market began to pick up in mid-December, the positive impact will only be visible in 2008.

Notwithstanding the difficult market conditions, Titan continued to benefit from the efficiency of its fleet operations. We are proud of our efficient fleet management team and our vessel daily running rate is among the lowest in industry. Average utilization for Titan's VLCCs improved by 12.4% to 92.18% in 2007.

While conditions for VLCCs were challenging, our product tankers performed well during 2007 and maintained an average utilization of 97%, with higher revenues and improved profitability. Our average Time Charter Equivalent achieved was US$8,500, an improvement of 11.5% over 2006.

Corporate Developments

At the beginning of 2008, we announced a realignment of our senior management team, to strengthen the Group's operational management, in support of our expanding and increasingly diversified operations in the Asia Pacific region.

In addition to continuing as Chairman of the Board, I have taken over the role of Chief Executive. Former Chief Executive Mr Barry Cheung has been appointed Deputy Chairman of the Board, and is heading up a major new initiative for the Group. Industry veteran and former Titan Chief Operating Officer, Mr Patrick Wong has been appointed President, Corporate Office, to provide strategic and operational leadership for the Group, supporting me in managing the Group's day-to-day operations. Mr Philip Chu has been appointed Chief Financial Officer to strengthen the Group's financial management.

Outlook

With utilization at our onshore storage terminals in China increasing and with the shipyard developing more quickly than we had expected, I believe 2008 will be an exciting year for the group.

Our focus during the year will be to strengthen the balance sheet. We will achieve this by continuing to make timely disposals of our single-hulled vessels and by potential strategic partnerships with players who will expand business opportunities for the Group. In addition, we will strive to increase the utilization of our China terminals to more than 70% by the end of the year, and work hard to secure more third-party shipbuilding orders.

Shipyard

In 2008, the yard is scheduled to start building 20 more ships, launch 11 and deliver 10 more. The vessels already delivered have been chartered out on a bare-boat basis, with purchase obligations, to external clients. Together with the vessels now under construction for delivery this year, they will begin to make a substantial contribution to the Group's earnings.

Due to the buoyant shipbuilding market, the shipyard is accelerating its construction, while preparation works for the ship repairing and offshore engineering facilities are well under way. Initiatives to improve procurement and construction processes will increase efficiency further. We have put in place a strong quality assurance system, and expect the yard to obtain ISO9001 certification in 2008. In particular, we are negotiating with international shipowners and expect to secure major shipbuilding orders in the first half of this year.

Storage

In March 2008, the Shanghai Futures Exchange designated the Nansha terminal as a physical delivery storage facility for the settlement of its fuel oil futures contracts. This designation will bring about increased recognition of the facility among both Chinese and international customers, and direct utilization of our storage for fulfillment of futures contracts.

To improve utilization, the Group is refocusing its marketing targets and already, we have seen rising demand in both the term and spot lease markets in the first quarter of 2008. We are pursuing more term lease business and we aim to achieve an average utilization rate of more than 70% at the end of this year.

While the market for onshore storage in Singapore remains strong, this has increased demand for floating storage from oil traders, particularly new players looking to participate in the physical market. FSUs have a niche market advantage, because they permit lessees to blend fuel oil stocks, which require heating and ease of berthing access. In March 2008, Platts announced that it planned to designate Titan Chios, one of our FSUs with a capacity of 250,000 tons, as a physical delivery point for fuel oil. This would help us capture more of the business generated by the growing number of international traders starting physical trading, blending and delivery operations in Asia.

Supply Chain (Supply & Distribution)

We expect 2008 to remain a challenging year as oil prices look to be even higher than in 2007. Nonetheless, significant work has been done by the Group since the end of 2007 to develop business with major refineries in Southeast Asia and with oil producers outside of Asia.

This will generate stable recurring revenue and profit, allowing Titan to compete more effectively in the high oil price environment. These efforts are already beginning to bear fruit, and will become visible in more stable earnings by the second half of 2008.

In bunkering, our strategy is to build a network offering shipowners a one-stop bunkering solution through our operations in Singapore, Malaysia and Hong Kong, riding on the synergies with our supply and storage businesses. In addition to further increasing sales volumes in Malaysia and Hong Kong, we are actively working to extend our presence to the China market through strategic alliances.

Transportation

In transportation, prospects for 2008 have improved from the previous two years, supported by factors that include increased VLCC conversion and scrapping, balanced by new tonnage and increased price differentials between newer and older tonnage. World Scale rates year-to-date for the Middle East — Far East route have averaged WS121, well above the WS78.6 average for 2007.

Although the market may not sustain such high rates for the whole year, we are cautiously optimistic and believe that we are well positioned to capture the upside and achieve a higher return on assets given our tightly run operations.

We will also continue our diversification strategy, and plan to replace our single-hulled vessels with double-hulled clean product petroleum and chemical tankers in the longer term.

Summary

In the six years since its listing on the Hong Kong Stock Exchange in May 2002, Titan has grown rapidly, with strong, long-term support from the stakeholders including our shareholders. The industry in which the Group operates is a very particular one that requires long-term planning and positioning, and we have not been able to quickly produce stable earnings. Improving the stability of earnings has nonetheless been an area we have focused on. In recent years, the Group has made a number of major investments in infrastructure projects in China. We have invested considerable resources in establishing sound management systems and developing the talents who will operate our businesses. Titan has a clear vision of its future, and we strongly believe in our strategy. The Group's next phase of development will in the near future achieve a breakthrough, and looking forward, we expect our storage terminals, distribution business and shipbuilding, ship repair and offshore engineering businesses in China to generate increased stability and growth in earnings for Titan.

Tsoi Tin Chun
Chairman & Chief Executive

Hong Kong, 23 April 2008

Directors

Mr. TSOI Tin Chun

Chairman of the Board and
Chief Executive

Mr. Tsoi, aged 45, founder of Titan Petrochemicals Group Limited (listed on the Hong Kong Stock Exchange as HK1192), has been the Group's Chairman since its inception in May 2002. In January 2008 he also assumed the post of Chief Executive.

From the early 1980s until the Group's emergence, Mr. Tsoi, a native of Fujian, has been involved in the storage, transportation and distribution of oil products in China. This passed marked the beginning of China's economic transformation and the transition from exporting to importing oil. It was also a time when Mr. Tsoi's innovative concept of "integrated oil logistics" began to take shape. To realize this concept Mr. Tsoi moved to Hong Kong and later to Singapore where, in 1996, he established Titan Oil Pte Ltd. Through the gradual development of the oil supply, transportation, storage and distribution businesses, the Company succeeded in establishing an integrated oil logistics platform to provide customers one-stop service.

In 2005 Titan Petrochemicals Group Limited became a member of the Morgan Stanley Capital International (MSCI) Hong Kong Small Cap index. That same year, the Group was awarded the "Global Trader Programme Status" by the Singapore Government and in the following year Titan Oil Pte Ltd was name one of the Top 100 Enterprises in Singapore.

While fully engaged in the international market Mr. Tsoi has, nevertheless, been most concerned about economic developments in China. He has brought back to China his successful experience in international marketing as well as management practise developed in Singapore. Under the leadership of Mr. Tsoi, the Group, while developing its business in Singapore, also actively invested in oil logistics facilities and a shipyard in China. The Group is now building large modern petrochemical terminals in strategic locations at key coastal areas of China, namely, Nansha in Guangdong; Quanzhou in Fujian and Yangshan at Shanghai. It is also developing a first-class, international multifunctional shipyard as well as offshore engineering projects at Quanzhou, Fujian. All these undertakings are listed as key projects by the respective provincial and municipal governments.

Mr. Tsoi firmly believes that entrepreneurs and enterprises have a responsibility to "contribute to society" where they operate. Thus, in June 2006, Titan Oil Pte Ltd initiated construction on the Titan Maritime Institute at Shishi in Fujian. This institute will be developed into a first-class comprehensive and full-time higher vocational educational establishment. By September 2008 this school will be operational, providing sustained human resources support for the Chinese and international marine industry. In its first phase, 800 students will be enrolled for vocational training courses including maritime management, petrochemical storage terminal management and shipbuilding and repair engineering.

Mr. Tsoi, a Singaporean, is married and has five children.

Mr. Barry CHEUNG Chun Yuen,
JP
Deputy Chairman

Mr. Cheung, aged 50, Deputy Chairman of Titan Petrochemicals Group Limited, has been a board member since July 2004. He is also a Deputy Chairman of Titan Oil Pte Ltd, which is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. From 2004 to 2007, Mr. Cheung served as Chief Executive of the Company. Prior to joining the Group, Mr. Cheung was Chief Executive of Camelot Asset Management Limited from 1999 to 2004. From 1994 to 1999, he served as Chief Executive of Fortune Oil plc.

He is currently Chairman of the Board of Hong Kong’s Urban Renewal Authority, Chairman of the ICAC Sub-Committee of the Standing Committee on Disciplined Services Salaries and Conditions of Service, an Alternate Chairman of the Pay Trend Survey Committee, a member of the Standing Commission on Civil Service Salaries and Conditions of Service and a member of the Independent Police Complaints Council.

He was also a former Chairman of the Corruption Prevention Advisory Committee of Hong Kong's Independent Commission Against Corruption.

From 1993 to 1994, Mr. Cheung was a full-time member of the Hong Kong Government's Central Policy Unit on secondment from McKinsey & Company. He was with McKinsey & Company in Los Angeles and Hong Kong from 1987 to 1994, advising many major financial institutions in the United States and Asia.

Mr. Cheung received a Bachelor of Science degree with First Class Honours in Mathematics and Computer Science from the University of Sussex and an MBA from the Harvard Business School.

Mr. Ib FRUERGAARD
Non-executive Director

Mr. Fruergaard, aged 61, has been a Non-executive Director of the Company since June 2007. Prior to this, he was President, Shipping Division and Executive Director for the Company before retiring from these positions in December 2006 and June 2007, respectively. Mr. Fruergaard was previously Managing Director of A.P. Moller Singapore Pte. Ltd., a subsidiary of A.P. Moller-Maersk, the world's largest container ship operator. He has managed and directed shipping and terminal operations in numerous locations around the world, including Asia, Europe, North America and Africa. Mr. Fruergaard is also an Associate Member of the Singapore Nautical Institute (SNI).

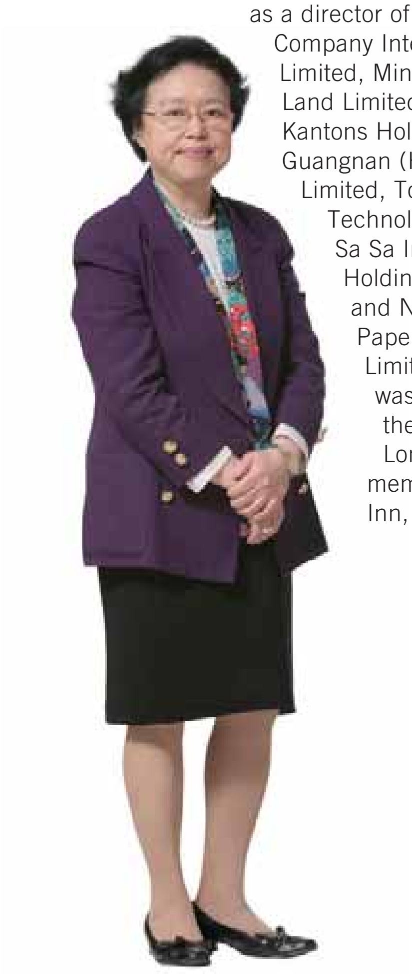
Mr. Fruergaard holds a Ships Master Degree from Svendborg Navigationsskole in Denmark and a post-graduate diploma in International Management from Columbia University, USA.

Mr. Abraham SHEK Lai Him, *SBS, JP*
Independent Non-executive Director

Mr. Shek, aged 62, graduated from the University of Sydney with a Bachelor of Arts degree. Mr. Shek is a member of the Legislative Council for the HKSAR. He is also an independent non-executive director and audit committee member of NWS Holdings Limited, Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Limited, Chuang's Consortium International Limited, See Corporation Limited, ITC Corporation Limited and Country Garden Holdings Company Limited. He also sits in the board of Eagle Asset Management (CP) Limited and Regal Portfolio Management Limited which is the manager of Regal Real Estate Investment Trust (the units of which are listed in Hong Kong) as an independent non-executive director as well as an audit committee member. He serves as independent non-executive director to Hop Hing Holdings Limited, Hsin Chong Construction Group Limited and MTR Corporation Limited. Mr. Shek is also a director of The Hong Kong Mortgage Corporation Limited. From 1987 to 2000, Mr. Shek was the Chief Executive of Land Development Corporation, and was also Commercial Director and a member of Managing Board of Kowloon-Canton Railway Corporation from 1984 to 1987 and 2004 to 2007, respectively.

Ms. Maria TAM Wai Chu,
GBS, JP
Independent Non-executive Director

Ms. Tam, aged 62, has served as an Independent Non-executive Director since August 2004. She is a barrister and a Deputy to the National People's Congress of the People's Republic of China. She is a member of the Committee for the Basic Law of the Hong Kong SAR under the Standing Committee of the National People's Congress. She is also a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption and a member of the Task Group on Constitutional Development of the Commission on Strategic Development. Ms. Tam currently serves as a director of Wing On Company International Limited, Minmetals Land Limited, Sinopec Kantons Holdings Limited, Guangnan (Holdings) Limited, Tong Ren Tang Technologies Co. Ltd., Sa Sa International Holdings Limited and Nine Dragons Paper (Holdings) Limited. Ms. Tam was educated at the University of London and is a member of Gray's Inn, London.



Mr. John William CRAWFORD,
JP
Independent Non-executive Director

Mr. Crawford, aged 65, was a founding partner of Ernst & Young, Hong Kong and vice chairman of the firm until his retirement in 1997. During his 25 years in public accounting, he was also the chairman of the audit division and was active in a number of large private and public company takeover and/or restructuring exercises. Mr. Crawford has been involved in various community service areas such as being a founding member of UNICEF Hong Kong Committee and the Hong Kong Institute of Directors. In 1997, Mr. Crawford was appointed a Justice of the Peace in Hong Kong. He is a member and was a governor for many years of the Canadian International School of Hong Kong and continues to be active in the promotion of pre-university education. Mr. Crawford is an independent non-executive director and chairman of the audit committee of e-KONG Group Limited and Regal Portfolio Management Limited which is the manager of Regal Real Estate Investment Trust (the units of which are listed in Hong Kong). He is also an independent non-executive director of Elixir Gaming Technologies, Inc., a company listed on the America Stock Exchange.

Senior Management

Mr. Patrick WONG Siu Hung
President, Corporate Office

Appointed President, Corporate Office since January 2008. Mr. Wong, aged 52, is responsible for strategic and operational leadership for all of Titan's business and operations. Mr. Wong has more than 28 years of working experience in banking, finance, commodity trading and project development. He has held several key positions in the Titan Group from 2002 to 2005, and previously worked at the senior management level at major international banks including Societe Generale in Singapore and at commodity trading firms such as the Kangqi Group of Companies and, more recently, Louis Dreyfus where he was Chief Executive Officer of China operations before rejoining Titan as President.

Mr. Wong is an Associate Member of the Chartered Institute of Bankers, United Kingdom and holds a master degree in Applied Finance from Macquarie University, Australia.

Mr. Philip CHU Yan Jy
Chief Financial Officer

Prior to joining Titan, Mr. Chu, aged 53, was Chief Financial Officer of Datacraft, a leading IT services and solutions company in Asia Pacific, since December 2001, where he was responsible for the overall statutory control of Datacraft's accounting, finance and administrative functions. Before Datacraft, Mr. Chu was the Worldwide Sales and Marketing Finance Director in Advanced Micro Devices Inc.

For the past 20 years, Mr. Chu has had a distinguished finance management career with IBM Corporation and Advanced Macro Devices and has worked in the USA, Japan, mainland China, Taiwan and Hong Kong.

Mr. Christopher YONG Cho Ping
President, Oil Trading

Mr. Yong, aged 49, has served as President of Oil Trading since June 2006 and is responsible for the strategic and operation planning and policies to help maintain the continued growth and development of the Group.

Mr. Yong previously led a team of 12 members which included traders, operators, charterers, business developers and an analyst at BP Oil, and was a co-bookleader for trading of fuel oil and residues in the Eastern Hemisphere stretching from East Africa, across the Middle East, India, SE Asia and China to Japan/Korea in the north and Australia and New Zealand in the south. He has vast experience in oil trading, particularly in leveraging refining, terminal and shipping assets. Prior to this, Mr. Yong was responsible for trading all petroleum products ranging from light distillates, to middle distillates, to fuel oil and residues in Dubai, Singapore, Tokyo and Melbourne for BP.

Other positions Mr. Yong held in his 21 years at BP included Chief Executive of BP Oil Thailand from 1998 to 2000, and Vice President of Business Development, Gas & Power East China from 2000 to 2002.

He graduated with honours in Bachelor of Engineering in Chemistry from National University of Singapore in 1983, completed an MBA in Financial Management from City University in the USA with presidential honours in 1992 and an Advanced Management Programme from Insead Fontainebleau in 2003.

Mr. David LIM Ngee Cheong
President, Shipping

Mr. Lim, aged 48, has served in the Group's shipping division since February 2005. He was previously General Manager of World-Wide Shipping (1989–2005) where he was responsible for business development including new building projects, sales and purchases, contract business, and spot chartering.

Prior to that, Mr. Lim served as the Transportation and Operations Manager at Coastal Petroleum Far East (1984–1989) and as a ship broker at Odfjell Westfal Larsen (Singapore) from 1982 to 1984.

Highlights of the Year

Shipyard

- First vessel launched (August)
- Delivers 1st two vessels (November & December)

Storage

- Operations at Fujian terminal commence (April)
- Nansha Terminal's 120,000 dwt jetty receives approval from PRC government (January)
- FSU obtains approvals from oil majors Lukoil (March) and Koch (May)
- Nansha Terminal passes storage terminal audit from oil majors ChevronTexaco, French Total and Glencore (April)
- Fujian Terminal starts construction of 100,000 dwt jetty (November)
- Nansha Terminal becomes physical fuel oil delivery storage facility for Shanghai Futures Exchange (March 2008)

Corporate

- Warburg Pincus invests US$175 million (March)
- Launches group-wide intranet (March)
- Acquires shipyard in Fujian (October)

Transportation

- Sale of 2 VLCCs — Titan Taurus (April) and Titan Virgo (September)
- Conversion of 3 VLCCs into FSUs — Titan Chios, Gemini, and Venus

Supply Chain

- Supports Global Trader Summit, Singapore as Platinum Sponsor (May)
- Bunkering moves up to Top 8 from previous 10th ranking in Singapore

07-08

Titan

Management Discussion and Analysis:

BUSINESS REVIEW

Titan is a fully integrated downstream oil logistics company, providing end-to-end sourcing, transportation, storage and wholesale distribution on a single platform. Through this, we help oil companies and oil users such as power utilities make their supply chain more efficient and their business more competitive.

In addition, the Group operates a rapidly expanding multi-functional shipyard in Quanzhou, a strategic location in China off the Taiwan Strait. Built to be one of the most advanced facilities of its kind, the yard's ship building unit began operations in 2006 and has a strong order book of high performance vessels. This will soon be complemented by major ship repair and offshore engineering operations capable of handling latest generation container ships and oil rigs.

Our success in the establishment and development of these businesses has given proof to the synergies between them. The support extended between these businesses has resulted in great operational flexibility for the Group as a whole.

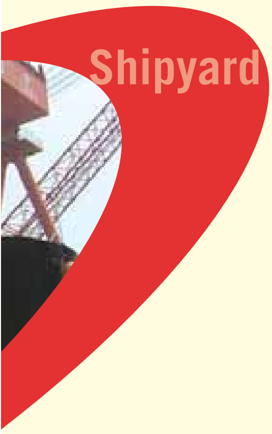
Titan operates in China, Hong Kong, Singapore and Malaysia.

Transportation

Supply Chain

Storage

Shipyard



Shipyard


HONOUR
TQSL

Shipyard

"Titan Quanzhou Shipyard became a wholly-owned subsidiary of the Group in October 2007. This unique multifunctional facility will be one of the largest ship repair, offshore engineering and specialized ship building yards in Asia when fully operational in 2009, benefiting from an ideal location on busy shipping lanes off the Taiwan Straits."

- Delivered first two vessels during the year
- Work on yard construction progressing on schedule
- Strong management and operational systems in place

"Total revenues for 2007 were HK$114 million and segment result was HK$16 million."

The ship building operations began in September 2006 and the yard delivered its first vessels, Titan Honour and Titan Spirit, in November and December of 2007 respectively. Both are 6,500 deadweight ton (dwt) bunker tankers and have since been chartered out on a bare-boat basis, with purchase obligations, to external clients.

In 2008, the yard is scheduled to start building 20 ships, launch 11 and deliver at least 8 vessels. Two more bunker tankers were successfully launched in February 2008.

The existing facilities, which are currently devoted entirely to ship building, comprise a 180m x 48m slipway, a workshop and two gantry cranes, one of 250 tons and one of 160 tons.

The yard's expansion, which will see construction of the ship repair and offshore engineering facilities, is now underway. Work on four dry docks (380m x 80m; 420m x 68m; 280m x 46m) and a second slipway (260m x 48m) started in the first quarter of 2008. In addition to the dry docks, the expansion will add repair berths, mechanical, piping and electrical workshops, as

Shipyard

well as hull workshops. The main contractor for the construction work is China Communications Construction Co. Ltd, one of China's main ports builders group, renowned for its experience, financial strength and high quality.

When complete, Titan Quanzhou Shipyard will be able to carry out ship repairs with maximum capacity for 300,000 dwt vessels. In terms of annual repair capacity, the Shipyard can handle up to 250 vessels a year totaling one million dwt capacity, equivalent to Singapore's Jurong Shipyard. Its 3,000 meters of berthing will exceed that of any yards currently operating in Singapore

Drydocks

Dock 1	380m x 80m x 14.4m
Dock 2	420m x 68m x 14.4m
Dock 3	280m x 46m x 12.8m
Dock 4	280m x 46m x 12.8m

- Ship repair vessels up to 300,000 tons dwt (totalling one million dwt capacity)
- Annual handling capacity: 250 vessels.

or Mainland China, and will permit the docking of latest generation container ships up to 397 meters.

In addition to state-of-the-art equipment, strong international management and systems underpin the shipyard's operations. The yard is run by qualified professionals with international experience. A modern project management model encompasses the entire production life cycle, from engineering through to commissioning. A strong quality assurance system has been put in place, with manuals drawn up to formalize practice in key areas, and the yard expects to secure ISO9001 certification from Lloyd's Shipping Register (Lloyd's) in 2008.

Each project is the responsibility of a dedicated team, and progress is tracked against comprehensive key performance indicators (KPIs) covering quality, schedule, cost, as well as health, safety and environment (HSE). Further teams are made responsible for project drawings and documentation, as well as a project database that controls the various work stages.

Key areas such as welding are given particular emphasis. Currently, 100 welders have been certified by Lloyd's, and a further 100 will

Ship Repair Models

No	Ship Model	LOA (m)	LBP (m)	Beam (m)	Mould Depth (m)	Draft (m)	Dwt (tones)
1	Drilling Platform	78	74	72	12	9	24,000
2	FPSO	356	346	648	32	23	320,000
3	300,000 dwt	330	318	62	31	22	300,000
4	200,000 dwt	290	280	50	25	17	170,000
5	100,000 dwt	272	260	44	24	16	110,000
6	70,000 dwt	225	217	32.26	19.2	11.5	70,000

The ship repair berths, with a draft of 12.5 meters, are equipped with extensive cranes with span of 100m allowing double banking of vessels. Large scale repair workshops are located at a distance from the repair berths, allowing the areas behind the berths to be also deployed for production purposes.

Staff training, welfare and HSE are integral aspects of the shipyard operation and the Group continues to make investments in these areas alongside the construction of the yard.

be certified by the end of 2008. All welding procedures are also to be approved by class, and the yard will only purchase class certified materials. Dimension control will be carried out at each stage of fabrication and assembly by experienced technicians, to ensure that dimension tolerances adhere to CSQ2005 and IACS requirements. Special working procedures will be adopted for some important dimensions such as hatch covers and guide rails.


F27
Titan

Storage

Storage

"Titan operates Floating Storage Units (FSU) in Malaysian waters, near the port of Singapore, with a total storage capacity of over one million tons at the end of 2007. The Group is also developing three major onshore facilities at strategic locations in China. Currently in operation are Phase I of both Titan's Nansha Petrochemical Terminal in the Pearl River Delta, and Fujian Petrochemical Terminal. Together, they provide a combined 500,000 cubic meters of storage capacity."

- Growth in both revenue and profits due to expanded FSU capacity
- Successful opening of Fujian Terminal Phase 1 marks another milestone
- Progress on construction of Nansha Phase II and the new Yangshan terminal near Shanghai

In 2007, revenues from the Group's storage operations increased 120% to HK$212 million and in turn, segment result increased by 315% to HK$106 million. Revenues came mainly from the four floating storage units (FSUs), but there was also a small initial contribution from the first phases of the Nansha and Fujian terminals, which started operations in late October 2006 and April 2007 respectively.

FSU revenues increased 105% to HK$197 million, with segment result rising 308% to HK$109 million. The substantial growth in revenue and segment result was primarily due to higher capacity, which increased 267% from 375,000 tons at the end of 2006, as the Group moved to take advantage of the strong market. The additional capacity came from the strategic deployment of four VLCCs from Titan's transportation fleet. Two of these units were leased out to major international firms, with the remaining two used in support of the Group's supply and distribution businesses.

Revenues from the China terminals were HK$15 million and segment result was at a loss of HK$3 million.

FSUs

During 2007, the Group received approvals from a number of oil majors, which includes KOCH and Lukoil, as well as BHP in the beginning of this year. The intended designation of one of the Group's FSUs as a physical delivery point for fuel oil announced by Platts will help Titan capture more business from the rising number of international traders starting physical trading, blending and delivery in the region.

Storage

As the market for onshore storage in Singapore remains strong, potential demand for floating storage will come from new players who wish to participate in the physical market. FSU operations have a particular advantage over onshore storage in the area, in that lessees are able to blend fuel oil stocks more easily. These require heating or have a low flash point, and the process also requires easy berthing access.

China Terminals

All three terminals have deepwater access and excellent communications links. In addition, the facilities have bonded zone status for customs purposes, allowing international cargo to avoid incremental duty and excise tax. This facilitates the international transfer, delivery, purchase and transit of cargos.

Debt funding for the Group's China projects are based on non-recourse project financing arrangements. For the Nansha terminal, a RMB380 million facility for Phase I and a RMB320 million facility for Phase II have been arranged. For the Fujian terminal, a RMB150 million credit facility for Phase I and another RMB430 million for Phase II have been arranged.

"The overall aim is to raise the utilization rate to at least 70% by the end of 2008."

The proceeds of HK$780 million (US$100 million) from the issuance of securities to Warburg Pincus have been applied to the further build-out of Titan's on-shore storage network in China.

Nansha, Guangdong

Phase I of the Titan Nansha Petrochemical Terminal began operations in October 2007 and comprises 410,000 cubic metres of fuel oil storage together with eight berths for vessels of between 1,000 dwt and 120,000 dwt.

Project Information

	Nansha, Guangdong	Quanzhou, Fujian	Yangshan, Shanghai
Project Size	1,800,000m³	1,490,000m³	2,370,000m³
Phase I	410,000m³ Completed	90,000m³ Completed	420,000m³ By end 2008
Phase II	305,300m³ By end 2008	600,000m³ By end 2009	600,000m³ By 2009
Phase III	1,084,700m³ By 2010	800,000m³ By end 2011	1.35 million m³ By 2011
Number of Berths	20	8	16
Maximum Berth Capacity	120,000 dwt	300,000 dwt	300,000 dwt
Products	Fuel Oil, Chemicals, Petroleum Products	Crude Oil, Fuel Oil, Chemicals, Petroleum Products	Fuel Oil, Chemicals, Petroleum Products

Utilization of the Nansha terminal rose in the first half of 2007, but declined in the second half. The decrease was due to significantly lower activity and decreased volumes from customers in China, who began to suffer from negative import margins following a surge in international oil prices. Average utilization of the Nansha terminal for the 12-month period was 43%.

In view of the trends in market demand, the Group proceeded with the construction of 305,300 cubic meters for Nansha Phase II during the year, Phase II project is due for completion by the end of 2008, and will include 125,300 cubic meters of chemical storage and 180,000 cubic meters of fuel oil storage. Construction of the project began in June 2007 after the completion of design and preparation works. A further 1,084,700 cubic meters will be added in Phase III, which will begin later, and become operational by 2010.

In March 2008, the Shanghai Futures Exchange designated the Nansha terminal as a physical delivery storage facility for the settlement of its fuel oil futures contracts. This designation will bring increased recognition of the Nansha facility from domestic and international customers, and generate increased volumes as the terminal is used directly as storage in the fulfillment of futures contracts.

To address the lower utilization in the second half of 2007, the Group is re-targeting its marketing, a strategy that has resulted in rising demand from both term and spot lease customers in the first quarter of 2008. In March 2008 alone, over 400,000 tons of cargo was discharged, with

Storage

260,000 tons being placed in storage. Titan is pursuing more term lease business and expects to secure contracts up to 50% of the capacity of Phase I of the terminal. The overall aim is to raise the utilization rate to at least 70% by the end of 2008. The Group has also started promoting the new capacity that will come on stream at the end of the year as Phase II enters service.

Quanzhou, Fujian

Phase I of the Titan Fujian Petrochemical Terminal, located at the port of Quanzhou in Fujian Province, became operational in April 2007. Phase I comprises 90,000 cubic meters of storage facilities, of which 60,000 cubic meters is for chemicals and 30,000 cubic meters is for petroleum products. The tank farm is supported by a 5,000 dwt berth and a 3,000 dwt berth.

As with the Nansha terminal, the facility at Quanzhou has been built to international standards and its advanced equipment, such as the Honeywell DCS system, ensures that operations are not only efficient but safe. The terminal has to date achieved 144,878 man-hours of operation without any lost-time incident.

The terminal has been operating initially in the spot market, and in response to the market demand, the Group started construction of a 100,000 dwt jetty at the terminal in November 2007 to raise throughput. Completion is expected by mid-2009.

Yangshan, Shanghai

The construction of Phase I of the Yangshan Petrochemical Terminal near Shanghai, which consists of 420,000 cubic meters of fuel oil storage, one berth for vessels up to 100,000 dwt and four berths for vessels up to 5,000 dwt has progressed substantially.

Construction of the tank farm and the jetty is well advanced and Phase I is expected to be operational by the second half of 2008. The terminal will benefit from its proximity to one of China's fastest growing major container port, which will provide a "captive" customer base for its services.

Supply Chain

(Supply & Distribution)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Supply Chain

The Group's integrated Supply Chain incorporates both our supply & distribution business, which provides a comprehensive seamless chain of services both to internal and external customers. Titan sources and supplies oil using an extensive network of relationships around the world, and provides value-added services leveraging on the Group's other businesses. Part of this helps to supply to our bunkering or ship refueling operations, which currently cover Singapore, Malaysia and Hong Kong.

- A good first half performance severely offset by surging oil prices, increased market volatility, and rising competition in the second half
- Achieved number 8 position as bunker supplier in Singapore
- Successful diversification of product mix and customer base for supply business

For the year 2007, the integrated Supply Chain (Supply & Distribution) business achieved a 66% increase in revenues to HK$15,442 million, while segment result decreased by 28% to HK$54 million.

In the first half of 2007, oil prices were relatively low. Demand was robust and hence supply margins firm for both cargoes and bunker supply. However in the second half of the year, surging oil prices and increased market volatility led to a slowing in demand for oil in both the cargo and bunker trade. Competition also intensified, as other companies in the sector also took up storage in the new terminals available and competed in the blending business, further affecting our volumes and margins.

Supply

Total sales in 2007 were 4 million tons of which 1.2 million tons were sales of crude oil and 2.8 million tons sales of oil products, making progress in the diversification of our product mix from fuel oil into crude oil. For the year, the business had

Supply Chain

access to total storage capacity of 570,000 metric tons in the form of two of the Group's FSUs, as well as three tankers used to ship fuel oil.

The year 2008 is expected to be challenging for the supply operation in view of the persisting high oil prices. Significant work has, however, been done by the Group since the end of 2007 to develop business with major refineries in Southeast Asia and oil producers outside Asia. These will generate recurring revenue and profit, allowing Titan to compete more effectively in the high oil price environment. These efforts are already beginning to bear fruit, and will generate more stable earnings by the second half of 2008.

Furthermore, the China supply team is now firmly in place and this enhanced local presence will allow us to deepen relationships with customers in China, where we will focus on long-term business, leveraging on the Group's storage assets in the Mainland.

Distribution

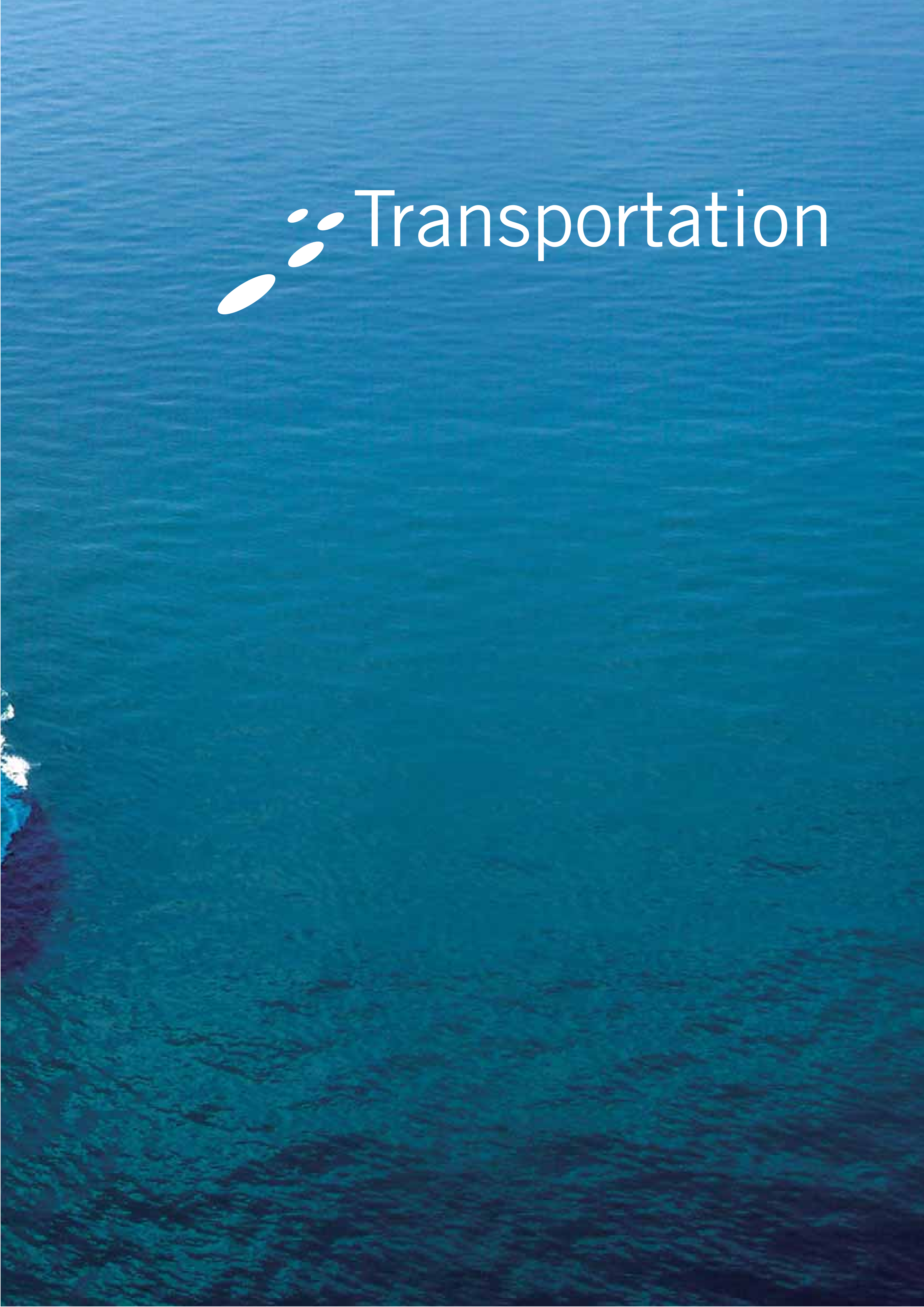
In distribution, the Group is building a network that offers customers a complete bunkering solution through operations in Singapore, Malaysia and Hong Kong, using synergies with the supply operation, as well as the storage business. Total bunkering volume achieved in these three markets during 2007 was around 2.8 million metric tons, with approximately one million tons procured from our supply team.

A significant portion of Titan's bunkering business is derived from Singapore, where Titan Bunkering is an accredited supplier. During 2007, a record 31.5 million metric tons of bunker fuel was moved in Singapore, 10.9% more than in 2006. Titan Bunkering also achieved growth despite the increasing competition, and as a result rose from the tenth to the eighth largest supplier of bunkering services in the market, moving around 100,000 to 200,000 metric tons a month in the year. This is a remarkable milestone in view of the fact that the Group only started its bunkering operations in mid 2004, and competes in a market that includes oil majors such as BP, ExxonMobil and Shell.

Titan's growth benefited from an established reputation for service quality and competitive sources of supply. The Group also secured several term contracts with major ship-owners, ensuring steady volumes, and built alliances with a number of ex-wharf sellers, which helped us to maintain our competitive edge.

Our bunkering operation in Hong Kong remains in its early stages of development and shows potential to grow. Early in the first quarter of 2008, the Group purchased two bunker barges with a total tonnage of 1,900 dwt, and will also receive delivery of the 7,000 dwt Titan Faith, in mid 2008 from Titan Quanzhou Shipyard. These three vessels will boost Titan's bunkering capability in Hong Kong by as much as seven fold, bringing not only higher volumes, but better margins and greater operational flexibility.

Although the bunkering market in Singapore is becoming increasingly competitive in 2008 as more suppliers enter the arena, Titan expects to maintain market share in Singapore and grow sales volumes in Hong Kong, Malaysia. In addition to the expansion in the Hong Kong market, the Group is working to extend its presence in Mainland China through strategic alliances.


Transportation

Transportation

"The Group's fleet capacity was 2.13 million deadweight tons (dwt) at the end of 2007, which included seven VLCCs (very large crude carriers), two Aframaxes and a range of product tankers. The VLCC fleet mainly transports crude oil between oil producing centers such as the Middle East to refineries in China, India, and South-east Asia. Titan also operates smaller product tankers, vessels in the 6,000 to 7,500 dwt range, which operate largely under contract to international and national oil companies, transporting oil products within Asia."

- Disposed seven vessels as part of asset management program
- Deployment of four older VLCCs to FSU operations, achieving better returns during depressed VLCC market
- Product tanker fleet performed well with improved margins

Revenues for 2007 were HK$1,237 million, which is a decrease of 41% compared to 2006. Segment results for the year, including gain on vessel disposals, decreased by 12% to HK$390 million.

The VLCC fleet continues to be the main revenue contributor with a share of 60%, whilst the Aframaxes contribute 25% and the rest of the tankers 16% of the transportation segment revenues in 2007.

As part of its asset management program, the Group sold a number of older vessels, realizing a total net book gain on the disposals of US$33.6 million (HK$262 million). The vessels disposed of were the VLCCs Titan Virgo and Titan Taurus, the mid-range tanker Eagle Aries, the FSU Titan Mars and the bunker barges MT Neptank VII, MT Neptank VIII and MT Capricorn.

Together with the four older VLCCs deployed as FSUs to take advantage of strong demand in storage, the disposals had the effect of reducing fleet capacity from 3.51 million dwt at the end of 2006 to 2.13 million dwt at the end of 2007.

The decrease in segment result was due to the Group's fleet renewal program and strategic repositioning of product lines to facilitate the growth of the other business units. This has allowed closer synergies to be developed within the Group.

With increasingly higher bunker costs and a further weakening freight market, the VLCC spot market on the Middle-East to Far East route registered only an average World Scale rate of WS67.5 till November. The improvement in December managed to increase the annual average to WS78.6. In the face of such market challenges, the focus of our transportation team was to ensure

Transportation

optimal utilization of the fleet, which resulted in the average utilization of the VLCC fleet improving by 12.4% over 2006 to achieve 92.2% in 2007.

The challenging market conditions in the VLCC market are expected to continue, although prospects for 2008 have improved from the previous two years. VLCC rates during the first quarter of 2008 were stronger than the same period of 2007, supported by oil demand rising from the low levels of the last 12 months, and increased VLCC conversion and scrapping. Rates in the first quarter of 2008 averaged WS126.2 against WS70.6 for the first quarter of 2007.

Although the market is likely to be firmer for the year as a whole, an anticipated increase in the supply of tanker tonnage in 2008 may hold rates in check. While greater price discounts for single hulls and older tonnage could be expected, this will however, be mitigated by the fact that double hulled tonnage will not be sufficient to meet demand. According to industry estimates, new deliveries for VLCCs in 2008 will be around 38, up slightly from the 30 vessels delivered in 2007, while increased conversions and scrapping of around 60 VLCCs are expected for the year.

During the year, the product tanker fleet continued to perform well. The fleet achieved an

Fleet List (as at 31 December 2007)

No	Ship Name	DWT (mt)	Class	Year Built	Flag
Very Large Crude Carrier (VLCC)					
1	FRONT LADY	284,497	DNV	1991	Singapore
2	FRONT HIGHNESS	284,317	DNV	1991	Singapore
3	TITAN MERCURY	275,341	LR	1989	Singapore
4	TITAN ARIES	265,243	LR	1988	Singapore
5	TITAN PISCES	261,343	LR	1990	Singapore
6	TITAN LEO	245,653	LR	1988	Singapore
7	TITAN SCORPIO	265,551	LR	1986	Panama
Aframax Tanker					
1	FOUR SPRINGS	94,225	RINA	1992	Italy
2	SCORPIUS	94,225	RINA	1994	Italy
Coastal Tanker					
1	ALPHA PROSPERITY	7,590	DNV	1995	Singapore
2	ALPHA PRESTIGE	7,574	DNV	1995	Singapore
3	ALPHA POWER	7,503	DNV	1996	Singapore
4	JURONG HERRING	6,902	ABS	1995	Singapore
5	ORCHID	6,901	ABS	1993	Singapore
6	JURONG KRAPU	6,887	ABS	1996	Singapore
7	LANTANA	6,881	ABS	1995	Singapore
8	MIMOSA	6,881	ABS	1995	Singapore
9	NEPTRA PREMIER	6,537	DNV	1994	Singapore
TOTAL DWT (mt)		**2,134,051**			

average utilization of 97%, higher revenues and improved profitability. We realized a Time Charter Equivalent (TCE) average of US$8,500, an 11.5% improvement over 2006.

With the strategic repositioning to capitalize more on the synergies with other Group businesses to ensure optimal asset utilization and greater overall profitability, Titan will continue its diversification strategy and also replace its single-hulled vessels with clean product petroleum and chemical tankers in the longer term.

Stakeholder Relations

Investors & Shareholders

Titan believes that communicating with shareholders and investors is very important and the Company seeks to provide them with timely, accurate and transparent disclosures affecting their interests.

The Company conducts regular media conferences, investor briefings and conference calls to explain earnings results, major transactions and address any questions, and at all times actively encourages two-way communications. In addition to briefings, stakeholders were updated on key business developments, Company news and milestones in the form of media releases, announcements, email alerts and letters to shareholders.

Titan continues to outreach actively to existing and potential investors, maintaining open dialogue with both local and overseas fund managers and buy-side/sell-side analysts via one-to-one meetings, conference calls, investor events and non-deal road shows. Titan's stock and bond coverage also received a boost with three investment firms initiating coverage during the year.

To enhance further understanding of Titan's businesses, the Company conducted four investor group visits to the Nansha Petrochemical Terminal in 2007 and, in October, a group of fund managers and analysts toured the newly acquired Titan Quanzhou Shipyard. These visits allow investors a good opportunity to meet operations management and provide a close-up view of the major projects that Titan is developing in China.

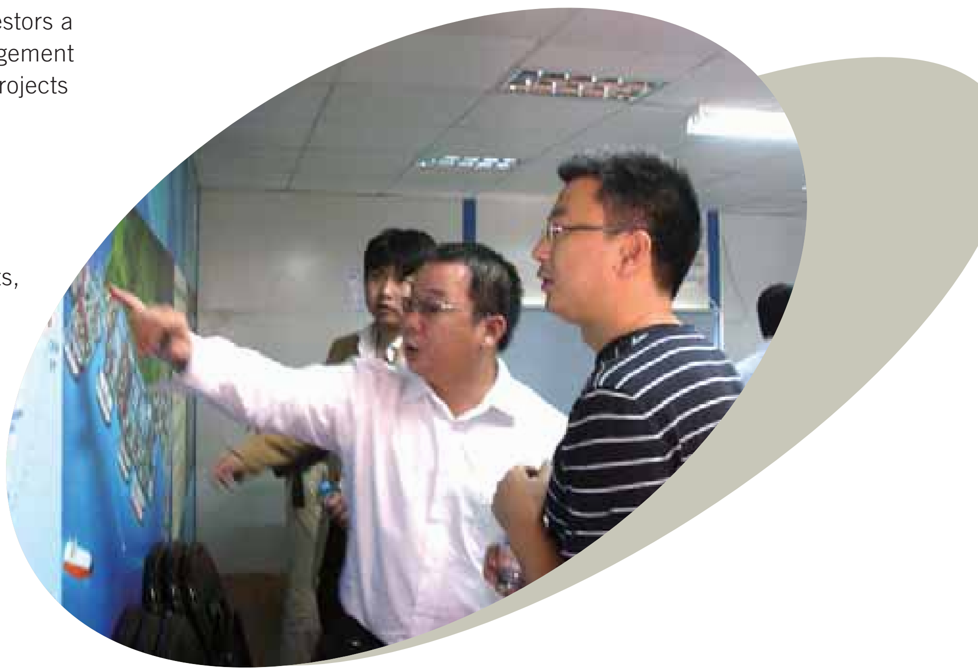
Through the group corporate website (www.petrotitan.com) available in English, traditional and simplified Chinese, Titan's annual and interim reports, announcements, media releases and other updates are easily accessible to investors. In the course of major transactions requiring various approvals from stakeholders, special user-friendly pages with all pertinent information and relevant links were set up to facilitate investor needs for information. Titan values ongoing feedback from investors and shareholders, and makes all efforts to handle incoming enquiries and requests in an informative and timely manner.

Titan also views its Annual General Meeting as an important opportunity for face-to-face communication between the Board and shareholders, providing a time and venue for Board members to address questions raised and to listen to the views of minority shareholders.

Employees

People are one of the most important core assets of Titan and it continues to focus on "people excellence" — attracting, grooming and retaining high performing employees, encouraging creativity and innovation, as well as taking the initiative in advancing employee development and well-being.

As at 31 December 2007, the Group's total employee count was over 1,277 with approximately 564 employees working in Mainland China, around 197 based in Singapore and Hong Kong,



and over 516 officers and crew on board the Group's fleet and floating storage units. These employees are acknowledged for their high levels of professionalism and experience.

Remuneration packages, including basic salaries, bonuses and benefits-in-kind are structured by reference to market terms and individual merit and are reviewed annually based on objective performance appraisals. In early 2008, the Company granted share options and shares to key employees as part of a broader incentive plan. In addition, we provide quarterly management/ employee awards to employees for outstanding performance.

The Group remained committed to staff development throughout the year, and employees from its transportation division attended various courses ranging from Pilot Exemption, Bridge Resource Management and Engine Simulator to enhance and hone their technical knowledge and competencies. Other in-house and external training programmes like Basic Law Awareness, Creative Thinking and Problem Solving Skills, People Management, Personal Effectiveness, and Leadership Training were conducted to improve and enrich employee competencies and productivity.

As a rapidly growing company, Titan appreciates that communications are vital to its success as a Company, ensuring everyone at all levels understand group business objectives and the strategic initiatives undertaken in the organization. A Group staff intranet was launched last year in March which is helping employees in different locations and business divisions to be updated on new developments not only at a Group level but in every division and functional department. To compete effectively in a challenging marketplace, the Group actively fosters teamwork and unity among its people, in particular, between business units. This is done through regular face-to-face staff dialogues, employee activities, welfare and recreational programs.

Community Support

With "Social Responsibility" as a core value, Titan has initiated programs to deepen the Group's relationships in the communities in which it operates. Through participation in corporate philanthropy opportunities, Titan also seek to offer help and support to the needy in the societies in where the Group operates. As Titan grows, it is planned that these programs be expanded and gradually have greater positive impacts on the communities.

During 2007, Titan donated the equivalent of over HK$559,000 for various causes, including Movement for the Intellectually Disabled of Singapore, The Straits Times School Pocket Money Fund and YMCA (Hong Kong).

Financial Review

Financial Results

The Group's turnover for the year was up 48% to HK$17,004 million. Cost of sales rose by 53% to HK$16,548 million in line with the expansion of operations. An exceptional net gain of HK$262 million was recorded from the disposal of vessels during the year. Earnings before interest expenses, tax, depreciation and amortization (EBITDA) dropped by 11% as compared to 2006 to HK$772 million. Finance costs rose from HK$386 million to HK$482 million as the Group increased its debt to finance expansion, and profit before tax in last year decreased to this year loss before tax of HK$24 million by 122%. The profit for the year attributable to ordinary equity holders of the parent in previous year of HK$100 million decreased to loss for the year attributable to ordinary equity holders of the parent in this year of HK$29 million, resulting in a negative return on equity of 1%.

Supply and Distribution

The contribution of the business to the Group's turnover and the segment result raised by 66% to HK$15,442 million and decreased by 28% to HK$54 million respectively as compared to HK$9,282 million and HK$75 million for 2006. The business accounted for 90.8% of Group revenues.

Transportation

The oil transportation business was an important profit contributor to the Group in last year. This business recorded turnover of HK$1,237 million for the year, dropped 41% from HK$2,082 million recorded for the year 2006. The segment result from oil transportation business decreased by 12% from HK$445 million to HK$390 million, which included a net disposal gain of vessels of approximately HK$262 million in 2007. The transportation business accounted for 7.3% of Group revenues.

Off Shore Oil Storage

The off shore oil storage business recorded turnover of HK$197 million in 2007, as compared to HK$96 million for the year of 2006. The segment result was HK$109 million as compared to HK$27 million for the year of 2006. The off shore oil storage business accounted for 1.1% of Group revenues.

On Shore Oil Storage

The on shore oil storage business recorded turnover of HK$15 million in 2007, as compared to HK$84,000 for the year of 2006. The loss of this segment was HK$3 million as compared to HK$1 million for the year of 2006. The on shore oil storage business accounted for 0.1% of Group revenues.

Shipbuilding

The shipbuilding business recorded turnover of HK$114 million and the segment result was HK$16 million in 2007. The shipbuilding business which accounted for 0.7% of Group revenues in 2007 was acquired during 2007.

Liquidity, Financial Resources, Charges on Assets and Gearing

The Group finances its operations through internally generated cash flows, term loans and trade finance facilities provided by banks in Hong Kong, Singapore and China. At 31 December 2007, the Group had cash and cash equivalents of HK$1,514 million (31 December 2006 : HK$300 million) and pledged deposits of HK$597 million (31 December 2006 : HK$73 million), comprising an equivalent of HK$1,213 million denominated in US dollars, an equivalent of HK$11 million denominated in Singapore dollars, an equivalent of HK$874 million in Renminbi, and HK$13 million. At 31 December 2007, the Group had interest-bearing bank and other loans of HK$3,060 million (31 December 2006 : HK$1,845 million), of which 55.49% were floating rate interest bearing and denominated in US dollars. HK$1,799 million of the Group's bank loans at 31 December 2007 had maturities within one year.

At 31 December 2007, the Group's banking facilities were largely secured or guaranteed by cash deposits amounting to HK$597 million, deposits of HK$14 million held in a collateral account, vessels with carrying values of HK$1,626 million, prepaid land/seabed lease payments of HK$372 million, oil storage facilities with carrying values of HK$490 million, inventories with carrying values of HK$872 million, a personal guarantee executed by a director of the Company, corporate guarantees executed by the Company and a corporate guarantee executed by a subsidiary of Titan Oil Pte. Ltd ("Titan Oil").

At 31 December 2007, the fixed rate guaranteed senior notes (the "Notes") of HK$3,135 million were secured by shares of certain subsidiaries. During the year, the Group issued convertible preferred shares to Warburg Pincus LLC and at 31 December 2007 this is presented as a non-current liability to the extent of the liability portion of HK$502 million.

At 31 December 2007, the Group had current assets of HK$5,531 million (31 December 2006 : HK$2,851 million). The Group's current ratio increased from 1.24 at 31 December 2006 to 1.37 as at 31 December 2007. At 31 December 2007, the Group had total assets of HK$12,775 million (31 December 2006 : HK$8,947 million), total bank and other loans of HK$3,060 million (31 December 2006 : HK$1,845 million), finance lease payables of HK$1 million (31 December 2006 : HK$138 million) and the Notes of HK$3,135 million (31 December 2006 : HK$3,124 million). The gearing of the Group, calculated as total bank and other loans, finance lease payables and the Notes to total assets, was 0.49 at 31 December 2007 (31 December 2006: 0.57).

The Group's business contracts are mostly settled in US dollars. The reporting currency of the Group is Hong Kong dollars. Since the exchange rate of the US dollar against the Hong Kong dollar was stable during the year, the directors consider that the Group has no significant exposure to foreign exchange rate fluctuations. The Group has transactional currency exposures and uses forward currency contracts to eliminate the foreign currency exposures on its operating activities. During the year, the Group has oil price swap contracts, foreign currency forward contract and an interest rate swap agreement to hedge exposures on fluctuations in commodity prices, foreign exchange rates and interest rates. The Group did not use any financial derivative instruments for speculative purposes.

Contingent Liabilities

At 31 December 2007, the banking facilities granted to certain subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of HK$2,674 million (31 December 2006 : HK$2,615 million).

A guarantee given by the Company in connection with a finance lease arrangement granted to a subsidiary was released during the year (31 December 2006 : HK$138 million).

At 31 December 2007, a guarantee of HK$172 million given by the Company to suppliers in connection with the oil trading business was utilised by a subsidiary of the Company (31 December 2006 : HK$38 million).

Corporate Governance Report

The Company is committed to good corporate governance practices to effectively oversee/guide operations and to enhance long term shareholder value, with an emphasis on having a quality board, transparency, independence and accountability. The Board acknowledges the proven importance and benefits of promoting and maintaining high standards of corporate governance.

Compliance with the Corporate Governance Code

The Company has applied the principles and complied with all code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2007.

The key corporate governance practices adopted by the Group are summarized below.

The Board

The Board of Directors (the "Board"), led by the Chairman, is collectively responsible for the management of the business and affairs of the Group with the overall objective of protecting and enhancing shareholder value. It is also responsible for the formulation of the Group's overall strategies and policies, setting of corporate values and management targets and operational initiatives, monitoring and evaluating Group performance, and the approval of annual budgets, business plans, major capital expenditures, major investments and material acquisitions and disposals of assets.

As at 31 December 2007, the Board was comprised of six directors, including two executive directors, one non-executive director and three independent non-executive directors. Biographical details of the directors and their respective roles in the Group are set out in the directors section of this Annual Report.

All independent non-executive directors are financially independent from the Group and follow the independence requirements set out in the Listing Rules. The Board has received from each independent non-executive director a written confirmation of his/her independence and considers each of them to be independent.

All non-executive directors are appointed for a period of two years. In addition, all directors are subject to re-election by shareholders at the annual general meeting at least every three years on a prescribed rotational basis. According to the bye-laws of the Company, directors appointed to fill casual vacancies shall hold office only until the next following annual general meeting and can be eligible for re-appointment at that time.

The Company has arranged insurance coverage for director and officer liabilities including cover for senior management of the Company and directors and officers of subsidiaries.

Chairman and the Chief Executive

The Chairman is responsible for providing leadership to and overseeing the functioning of the Board to ensure that it acts in the best interests of the Group. With the support of executive directors and the Company Secretary, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. The Chairman also actively encourages directors to be fully engaged in Board affairs and make contributions to the Board in the fulfillment of its responsibilities.

The Chief Executive role, supported by the executive director and senior management team, is responsible for the day-to-day management and operations of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations and performance. He maintains an ongoing dialogue with all directors to keep them fully informed of major business developments and issues and the adoption/execution of Group strategies, policies and objectives by the various business units. He is also responsible for building and maintaining an effective executive team to support him in this role.

Subsequent to the balance sheet date on 3 January 2008, the Board announced senior management realignments to create a smaller/tighter senior management structure for the Group to take advantage of growth opportunities, and support its expanding and increasingly diversified operations in the Asia Pacific region. Mr. Barry Cheung Chun Yuen left the post of Chief Executive to head up a major new initiative for the Group. He will continue to serve the Group as a Board member in his new post of Deputy Chairman. In this role, he will support the Group's strategic planning for new projects and overall corporate development. To strengthen operational management, the Chairman also took up the functions/responsibilities of the Chief Executive. He is now responsible for and assumes full accountability to the Board for all Group operations and performance. A new position, President of Corporate Office, has been set up to provide strategic and operational leadership for the Group. This position, together with the senior management team, assist the Chairman in managing the Group's day-to-day operations. Going forward, the Board will periodically review the effectiveness of this arrangement and consider re-appointing an individual to become Chief Executive if and when it deems such position to be necessary.

Board Meetings

The full Board meets at least four times a year and has formal procedures to include matters to be referred to it for consideration and decisions. Between scheduled meetings, senior management provide information to the directors on the activities of and developments in the businesses of the Group. As and when deemed necessary, additional Board meetings may be convened. In addition, any director may request the Company Secretary to arrange for independent professional advice to assist the directors to effectively discharge their duties.

Notice of at least 14 days is served for regular Board meetings. During 2007, seven regular Board meetings were held at which the individual attendance records of the directors were as follows:

	Meeting attendance	
	Number	%
Executive directors		
Mr. Tsoi Tin Chun — *Chairman*	6 out of 7	86
Mr. Barry Cheung Chun Yuen	7 out of 7	100
Non-executive directors		
Mr. Ib Fruergaard	6 out of 7	86
Mr. Cheong Soo Kiong — Note	0 out of 4	—
Independent non-executive directors		
Mr. John William Crawford	7 out of 7	100
Ms. Maria Tam Wai Chu	7 out of 7	100
Mr. Abraham Shek Lai Him	5 out of 7	71
Mr. Wong Kong Hon — Note	2 out of 4	50

Note — Resigned on 18 June 2007

Nomination of Directors

The Company does not have a separate nomination committee. The Board regularly reviews its structure, size and composition and, when deemed necessary, the Chairman, assisted by the executive directors, identifies suitable candidates for consideration by the Board. The appointment of a new director is a collective decision of the Board after taking into consideration the expertise, experience, integrity and commitment of that appointee to the Group.

Audit Committee

The Audit Committee during the year was comprised of three independent non-executive directors. Mr. Abraham Shek Lai Him was appointed as a member of the Audit Committee to replace Mr. Wong Kong Hon on 18 June 2007. The other members of the Committee are Ms. Maria Tam Wai Chu and Mr. John William Crawford, who was appointed as chairman.

The Audit Committee has specific written terms of reference, including amongst other duties the following key responsibilities:

- make recommendations to the Board on the appointment and, if necessary, the replacement/resignation of the external auditors and assess their independence, performance and fee levels;
- review the completeness, accuracy and fairness of the Company's interim and annual financial statements and reports;
- ensure compliance with the applicable accounting standards and legal and regulatory requirements on financial reporting and disclosures;
- oversee the effectiveness of financial reporting systems; and
- ensure ongoing assessments of the Group's internal control systems over financial, operational, compliance and broad risk management processes.

During the year, two Audit Committee meetings were held and the individual attendance records were as follows:

	Meeting Attendance	
	Number	%
Mr. John William Crawford — Chairman	2 out of 2	100
Ms. Maria Tam Wai Chu	2 out of 2	100
Mr. Abraham Shek Lai Him — Note	1 out of 1	100
Mr. Wong Kong Hon — Note	1 out of 1	100

Note — Mr. Wong resigned on 18 June 2007 and Mr. Shek was appointed on the same date.

Financial Statements

The Audit Committee met and held discussions with the Chief Financial Officer and other senior management on the Company's interim and annual financial reports, and discussed the audit approach and significant audit and accounting issues with the Group's principal external auditors, Ernst & Young ("E&Y"), including the financial impact of the adoption of applicable new/revised accounting standards. The Committee also reviewed E&Y's management letter recommendation points which were implemented or otherwise cleared to satisfaction.

Review of Connected Transactions

The Audit Committee members formed an Independent Board Committee to review the major and connected transaction/continuing connected transaction set out on page 142 and 143 of this Annual Report in accordance with the Listing Rules requirements. The Committee considered, after completing its review and receiving the advice of an independent financial advisor, that the relevant contract terms of the connected transactions were undertaken on normal commercial terms, were fair and reasonable and in the interests of the shareholders and the Company as a whole. All other connected party transactions during the year were also reviewed and assessed by the Audit Committee members as being fair and reasonable.

External Auditors

The Audit Committee reviewed and confirmed the external auditor's independence and objectivity, together with the scope of audit services and fees in connection therewith. It was duly noted that the audit firm has adopted a 5-year rotation policy of the engagement partner for its audit services provided to the Group. The Committee also made recommendations to the Board for the re-appointment of Ernst & Young as the Group's principal external auditors.

During the year ended 31 December 2007, the audit fees paid/payable to Ernst & Young amounted to approximately HK$5,282,000 and the fees paid/payable to them for non-audit services amounted to approximately HK$6,929,000 which was comprised of taxation services fees of HK$731,000, interim results review fees of HK$170,000, review of the major transactions of HK$5,970,000 as described on page 111 and 112 of this Annual Report and covenant compliance services fees of HK$58,000.

The Group has not employed any staff from Ernst & Young who were formerly involved in the Group's statutory audit.

Review of Risk Management and Internal Control Systems

As more fully described in the Internal Control Environment section, the Committee assisted the Board in meeting its responsibilities for ensuring and overseeing effective systems of internal control. During the year, the Group continued to carry out its internal audit program through an independent consultant in accordance with a three-year audit plan approved by the Audit Committee.

Internal Control Environment

System and Procedures

The Board of Directors acknowledges its responsibility to ensure that sound and effective internal control systems are maintained, which include comprehensive systems for reporting information to the division heads of each business unit and the executive directors. The internal control systems are designed to:

- achieve the Group's business objectives of attaining optimal performance and safeguarding assets against unauthorised use or disposition;
- ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use and for publication; and
- ensure compliance with the relevant legislation and regulations.

In the past, the Board has ensured that management developed and exercised effective internal control systems and procedures suitable for the various businesses in which the Group has been engaged. In this regard, key areas covered have included the following:

- Having a distinct organisation structure in place with defined lines of authority and control responsibilities.

- Development of comprehensive accounting systems to provide financial and by segment performance indicators to management and the relevant financial information for reporting and disclosure purposes.

- Preparation of annual budgets by the management of each business unit which are subject to review and approval by the executive directors. Such budgets are compared with actual results and reviewed on a monthly basis. The Executive Committee reviews the monthly management reports, key operating statistics and performance analyses of each business unit, and variances against budgets are analyzed/explained and appropriate action taken.

While the existing systems, procedures and controls are deemed to have adequately served the Group in the past, during the prior year and, again during the current year, the Board recognized the need to continue to make improvements and/or upgrades thereon, in particular, as a result of:

- the overall growth in all business areas; and

- the development of new business areas such as the storage facilities and shipyard operations in the PRC.

In line with the above, various initiatives were undertaken, including but not limited to the following:

- The Company engaged an independent consultant to undertake the internal audit function and an internal audit program for the years 2007 to 2009 was proposed.

  During the year, the Company carried out the internal audit program as planned to include the following:

  — The independent consultant first performed an internal audit review on the policies, procedures and controls implemented in the financial management area and the exercise was completed on schedule. A meeting was held by the Audit Committee together with management and the consultant to review the internal audit reports on findings, recommendations and management responses on the areas of process receipts, process payments, managed cash positions and cash flow forecasting.

  — The independent consultant then performed an internal audit review in the area of Trading Management covering front-to-back operations on physical and paper trades for business units; Supply and Distribution covering risk management and reporting systems and information technology in respect of the trading system, Allegro. The review was completed as scheduled and the Audit Committee, together with management and the consultant, met to review the internal audit reports on findings, recommendations and management responses on the areas of business strategies and policies, risk and management processes, organizational structure, reports, methodologies and systems, and data processing.

  The management has already started to implement improvements to strengthen internal controls according to the recommendations and target dates for implementation were scheduled.

- The Group has newly set up an Integrated Operation Centre. Its major roles are to further enhance the communication and coordination among different business units and finance department; to ensure effective allocation of resources so that each and every department can operate smoothly; and to monitor risk independently and develop and facilitate policies and procedures implementation and adherence.

- The Group has adopted and implemented SAP applications to our storage operations in the PRC during the year to enhance our business process and financial reporting. The Group also targets to implement SAP to our Singapore and Hong Kong operations and Shipyard operation in 2008. The Group has also recruited expertise to enhance the trading platform, Allegro system for risk monitoring purpose.

- On 3 January 2008, the Board announced senior management realignments as described above in this report. As a result, a new position, namely President of Corporate Office, was set up and Mr. Patrick Wong took up this new post in January 2008. Mr. Philip Chu was also appointed as the new Chief Financial Officer of the Company in January 2008. Their biographical details are set out in the Senior Management section of this Annual Report.

- The Group has a Credit and Risk Committee which meets monthly to assess the commercial risks faced in day-to-day operations. The Committee has developed policies and guidelines, including credit policies and approval processes, a value-at-risk model and a stop-loss system which sets out tolerance levels for risk assessment and the general risk management philosophy of the Group.

- The Group has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget monitoring and are controlled within each business unit with approval levels set by reference to each executive's and officer's level of responsibility.

- Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific controls and approvals, prior to commitment by the appropriate executives, are required for material expenditures and acquisitions within approved budgets and also for any unbudgeted items.

Annual Assessment

During the year, the Board, together with the Audit Committee, reviewed the effectiveness of the Group's systems of internal control over financial, operational, compliance issues, and broad-based risk management processes.

No suspected frauds or irregularities, internal control deficiencies or suspected infringement of laws, rules and regulations came to the Committee's attention. As a result of its review efforts and the new initiatives taken so far, the Board is satisfied that the Group in 2007 fully complied with the code provisions on internal controls as set forth in the CG Code.

Remuneration Committee

The Remuneration Committee was established in accordance with the Listing Rules and currently comprises two independent non-executive directors and the Chairman of the Board, namely, Ms. Maria Tam Wai Chu, Mr. Abraham Shek Lai Him and Mr. Tsoi Tin Chun, respectively. Mr. Wong Kong Hon resigned as a member of the Committee on 18 June 2007. The Committee is chaired by Ms. Maria Tam Wai Chu.

The Committee has specific written terms of reference and its primary duties include:

- ongoing review of the Group's overall remuneration policies and structure;

- making recommendations to the Board on the administration of fair and transparent procedures for setting policies on the remuneration of directors and senior management of the Group;

- reviews of and determinations on the specific remuneration packages for all executive directors and senior management; and

- reviews of and approvals on performance–based remuneration by reference to corporate goals.

The remuneration policy of the Group is to attract, retain and motivate the best available talent as well as to align the interests of executives with achieving shareholder value and promoting sustained improvements in business performance. Remuneration packages include basic salaries, performance bonuses, share options and benefits-in-kind, which are structured by reference to market terms and individual merit, and are reviewed on an annual basis based on objective performance appraisals. Special incentive plans are also adopted for certain key operational staff. No director or senior management are involved in determining their own remuneration.

The Remuneration Committee held one meeting during 2007 and the attendance record was as follows:

On 24 April 2007, the Board approved the granting of 2,500,000 share options to certain employees in respect of their contributions to the Group.

Subsequent to the balance sheet date on 1 February 2008, the Remuneration Committee and the Board reviewed and approved the adoption of a Share Subscription Plan and allotment of 50,000,000 shares to selected senior management under the plan. Also, 400,000,000 share options were granted to employees under the existing Share Option Scheme.

	Meeting Attendance	
	Number	%
Ms. Maria Tam Wai Chu — Chairman	1 out of 1	100%
Mr. Abraham Shek Lai Him	1 out of 1	100%
Mr. Tsoi Tin Chun	0 out of 1	—
Mr. Wong Kong Hon — Note	0 out of 0	—

Note — Resigned on 18 June 2007

During the meeting, the Committee discussed with the Head of Human Resources the Group's overall compensation philosophy and reviewed the updated remuneration policies and structure, which included the short, medium as well as long term compensation components (e.g. employee award scheme, annual bonus payout and share option scheme), job rotation plans and the implementation of KPIs (Key Performance Indicators) for effective individual performance evaluations. The Committee also discussed and approved the following:

- specific remuneration packages for all executive directors and senior management;
- the proposed variable bonuses for 2007 and the proposed salary adjustments for 2008, in principal; and
- the proposed annual fees to non-executive directors for 2008.

Details of the emoluments of each director of the Company for the year ended 31 December 2007 are set out on pages 96 to 98 of this Annual Report.

Securities Transactions by Directors and Employees

The Company has adopted the Model Code of the Listing Rules as its code of conduct for security transactions by Directors and has set up relevant procedures to ensure compliance. All directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code during the year. Furthermore, the Company also adopted corporate guidelines for securities transactions to regulate employee conduct on securities dealings.

Report of the Directors

The directors present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 18 to the financial statements. Except for the addition of the shipbuilding operations, there were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 68 to 151.

The directors do not recommend the payment of any dividend for the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 152. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE PREFERRED SHARES

Following a special resolution passed on 18 June 2007, the Company's authorised share capital was divided into two class of shares. Details of the authorised share capital and movements in the Company's issued share capital, share options and convertible preferred shares during the year are set out in note 31, note 32 and note 34 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2007, the Company's reserves available for distribution, calculated in accordance with the provision of the laws of Bermuda, amounted to approximately HK$96,799,000. Under the laws of Bermuda, the Company's share premium account of approximately HK$1,888,650,000 as at 31 December 2007 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

DIRECTORS

The directors of the Company during the year were:

Executive directors
Mr. Tsoi Tin Chun
Mr. Barry Cheung Chun Yuen

Non-executive directors

Mr. Ib Fruergaard	(re-designated from executive director to non-executive director on 18 June 2007)
Mr. Cheong Soo Kiong	(resigned on 18 June 2007)

Independent non-executive directors

Mr. John William Crawford	
Mr. Abraham Shek Lai Him	
Ms. Maria Tam Wai Chu	
Mr. Wong Kong Hon	(resigned on 18 June 2007)

In accordance with the Company's bye-laws, Mr. Barry Cheung Chun Yuen and Mr. Abraham Shek Lai Him will retire by rotation in the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The non-executive directors (including independent non-executive directors) are appointed for a period of two years and are subject to retirement by rotation and re-election in accordance with the Company's bye-laws.

The Company has received from each of Mr. John William Crawford, Mr. Abraham Shek Lai Him and Ms. Maria Tam Wai Chu an annual confirmation of his or her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Company considers such directors to be independent.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 15 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 8 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 40 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

At 31 December 2007, the interests and short positions of the directors and the chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as set out below:

Long positions in ordinary shares of the Company:

Name of director	Capacity	Number of ordinary shares	Percentage of the Company's issued share capital
Mr. Tsoi Tin Chun	Interest of a controlled corporation/ Interest of spouse	3,719,638,794 (Note 1)	57.46

Short positions in ordinary shares of the Company:

Name of director	Capacity	Number of ordinary shares	Percentage of the Company's issued share capital
Mr. Tsoi Tin Chun	Interest of a controlled corporation	438,836,815 (Note 1)	6.78

Long positions in ordinary shares of associated corporations:

Name of director	Capacity	Associated corporation	Interest in associated corporation	Percentage interest in shareholding
Mr. Tsoi Tin Chun	Interest of corporation controlled by director	Sea Venture Holdings Pte Ltd.	1 share (Note 2)	100
Mr. Tsoi Tin Chun	Interest of corporation controlled by director	Fujian Shishi Titan Sailor Administer Co. Ltd.	US$20,000,000 Capital contribution (Note 3)	100

Options outstanding under the share option scheme of the Company:

Name of director	Capacity	Total number of underlying shares (options granted)	Approximate percentage of the Company's issued share capital
Mr. Barry Cheung Chun Yuen	Beneficial owner	20,000,000 (Note 4)	0.31

Note 1: Mr. Tsoi Tin Chun ("Mr. Tsoi") is deemed to be interested in of the shares the Company held by Titan Oil Pte Ltd ("Titan Oil") and Great Logistics Holdings Limited ("Great Logistics") as a result of his shareholding in Titan Oil, the ultimate holding company of Great Logistics. The issued share capital of Great Logistics is beneficially and wholly-owned by Titan Oil, which is in turn owned as to 95% by Mr. Tsoi and as to 5% by Ms. Tsoi Yuk Yi ("Ms. Tsoi"), the spouse of Mr. Tsoi. Mr. Tsoi is also a director of Titan Oil and Great Logistics. Mr. Tsoi is further deemed to be interested in the shareholding interests of Titan Shipyard Investment Company Limited in the Company as Titan Shipyard Investment Company Limited is beneficially and wholly-owned by Mr. Tsoi and Mr. Tsoi is also deemed to be interested in the shareholding interests of Vision Jade Investments Limited in the Company as Vision Jade Investments Limited is beneficially and wholly-owned by Ms. Tsoi.

Note 2: Mr. Tsoi is deemed to be interested in the shares of Sea Venture Holdings Pte. Ltd ("Sea Venture") which held by SV Global Pte. Ltd ("SV Global") as a result of his shareholding in Titan Oil, the ultimate holding company of SV Global. SV Global's issued share capital is beneficially and wholly-owned by Titan Oil. Mr. Tsoi is also a director of SV Global and Sea Venture.

Note 3: Mr. Tsoi is deemed to be interested in the shares of Fujian Shishi Titan Sailor Administer Co. ("Fujian Shishi"), as a result of his shareholding in Titan Oil, the holding company of Fujian Shishi. Mr. Tsoi is also a director of Fujian Shishi.

Note 4: Share options carrying rights to subscribe for 20,000,000 ordinary shares of the Company were granted to Mr. Barry Cheung Chun Yuen on 21 September 2005 pursuant to the share option scheme adopted by the Company on 31 May 2002.

Save as disclosed above, at 31 December 2007, none of the directors or the chief executive had registered any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as required to be recorded pursuant to Divisions 7 and 8 of Part XV of the SFO, Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures" above and in the share option scheme disclosures in note 32 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2007, so far as is known to the directors and the chief executive of the Company, the following persons had interests or short positions in the shares and underlying shares of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity	Number of shares and underlying shares	Percentage of the Company's issued share capital
Ms. Tsoi Yuk Yi	Interest of spouse/ Interest of a controlled corporation	3,719,638,794 (Note 1)	57.46
Titan Oil	Interest of a controlled corporation/ Beneficial owner	3,167,791,631 (Note 2)	48.93
Great Logistics	Beneficial owner	2,758,180,202 (Note 3)	42.61
Saturn Petrochemical Holdings Limited	Beneficial owner	857,795,031	13.25
Warburg Pincus & Co.	Interest of a controlled corporation	857,795,031 (Note 4)	13.25
Warburg Pincus IX, LLC	Interest of a controlled corporation	857,795,031 (Note 4)	13.25
Warburg Pincus Partners LLC	Interest of a controlled corporation	857,795,031 (Note 4)	13.25
Warburg Pincus Private Equity IX, L.P.	Interest of a controlled corporation	857,795,031 (Note 4)	13.25
HSBC Trustee (C.I.) Limited	Trustee	556,423,009	8.60
Titan Shipyard Investment Company Limited	Beneficial owner	426,796,127 (Note 1)	6.59
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.	Holding shares as security	356,971,112	5.51
The State of the Netherlands	Interest of a controlled corporation	356,971,112 (Note 5)	5.51

Short positions:

Name	Capacity	Number of shares and underlying shares	Percentage of the Company's issued share capital
Great Logistics	Beneficial owner	438,836,815 (Note 3)	6.78
Titan Oil	Interest of a controlled corporation	438,836,815 (Note 2)	6.78
Ms. Tsoi Yuk Yi	Interest of spouse	438,836,815 (Note 1)	6.78

Note 1: Ms. Tsoi is beneficially interested in 5% of the issued share capital of Titan Oil, which in turn holds the entire issued share capital of Great Logistics. Mr. Tsoi is beneficially interested in 95% of the issued share capital of Titan Oil. As Ms. Tsoi is the spouse of Mr. Tsoi, she is deemed to be interested in the Company's shares held by Great Logistics and Titan Oil. As Titan Shipyard Investment Company Limited is beneficially and wholly-owned by Mr. Tsoi, Ms. Tsoi is deemed to be interested in the shareholding interests of Titan Shipyard Investment Company Limited in the Company. Ms. Tsoi is also deemed to be interested in the shareholding interests of Vision Jade Investments Limited in the Company as a result of her shareholding in Vision Jade Investments Limited.

Note 2: Titan Oil is beneficially interested in the entire issued share capital of Great Logistics and, therefore, is deemed to be interested in the Company's shares held by Great Logistics.

Note 3: Mr. Tsoi is deemed to be interested in such ordinary shares held by Great Logistics as a result of his shareholding in Titan Oil, the ultimate holding company of Great Logistics. The issued share capital of Great Logistics is beneficially and wholly-owned by Titan Oil, which in turn is owned as to 95% by Mr. Tsoi and as to 5% by Ms. Tsoi, the spouse of Mr. Tsoi. Mr. Tsoi is also a director of Titan Oil and Great Logistics.

Note 4: Pursuant to the SFO, as Warburg Pincus & Co. ("WP"), Warburg Pincus Partners LLC, Warburg Pincus IX, LLC and Warburg Pincus Private Equity IX, L.P. have 100% control over Saturn Petrochemical Holdings Limited, WP, Warburg Pincus Partners LLC, Warburg Pincus IX, LLC and Warburg Pincus Private Equity IX, L.P. are deemed to be interested in the shareholding interest of Saturn Petrochemical Holdings Limited in the Company.

Note 5: The State of the Netherlands is interested in such ordinary shares through its shareholding in Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V.

Save as disclosed above, at 31 December 2007, no person, other than the directors and the chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

Connected transactions

The detail of connected transactions are set out in note 40 (a) (iii) and (iv) to the financial statements.

Continuing connected transaction

On 28 December 2004, Petro Titan Pte. Ltd. ("Petro Titan"), a wholly-owned subsidiary of the Company, entered into a tenancy agreement (the "Previous Agreement") with Titan Oil, pursuant to which Petro Titan leased an office space located at 8 Temasek Boulevard, #29-02, Suntec Tower 3, Singapore from Titan Oil for a term of three years from 1 January 2005 to 31 December 2007, inclusive, at an aggregate rental of S$212,660 per annum on the basis of S$17,722 per month. On 30 November 2005, Titan Resources Management (S) Pte. Ltd. ("TRMS"), a wholly-owned subsidiary of the Company, entered into a revised tenancy agreement (the "Revised Agreement") with Petro Titan and Titan Oil by which TRMS replaced Petro Titan as the tenant of the office with effect from 1 January 2006 and all the terms and conditions remain the same as the Previous Agreement. The Revised Agreement is a continuing connected transaction of the Group under Chapter 14A of the Listing Rules as Titan Oil is the controlling shareholder of the Company and thus a connected person of the Company.

The above transaction was reviewed by the independent non-executive directors of the Company who confirmed that the transaction had been entered into:

(a) in the ordinary and usual course of business of the Company;

(b) on normal commercial terms; and

(c) in accordance with the relevant agreement governing the transaction on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditors provided a confirmation in respect of the Revised Agreement in accordance with Rule 14A.38 (1), (3) and (4) of the Listing Rules.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, no director is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Listing Rules, other than those businesses to which the directors were appointed as directors to represent the interest of the Company and/or the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to good corporate governance to effectively oversee/guide operations and to enhance long term shareholder value, with an emphasis on having a quality board, transparency, independence and accountability. Throughout the year, the Company has applied the principles and was in full compliance with all code provisions set out in the Code on Corporate Governance Practices contained in the Appendix 14 of the Listing Rules. Full details on the subject of corporate governance are set out in a separately presented Corporate Governance Report, included in this Annual Report.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling approximately HK$559,000.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiries of the Company's directors, they have complied with the required standards set out in the Model Code throughout the accounting period covered by the Annual Report.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 44 to the financial statements.

AUDIT COMMITTEE

The Company has an audit committee which was established, in compliance with Rule 3.21 of the Listing Rules, 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 of the Company. The Group's financial statements for the year ended 31 December 2007 were reviewed by the audit committee, who are satisfied that such statements comply with the applicable accounting standards, including the Listing Rules and other reporting requirements, and that adequate disclosures have been made.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Barry C. Cheung
Deputy Chairman

Hong Kong
23 April 2008

Independent Auditors' Report

ERNST & YOUNG
安永會計師事務所

To the shareholders of Titan Petrochemicals Group Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Titan Petrochemicals Group Limited set out on pages 68 to 151, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
23 April 2008

Consolidated Income Statement

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	5	**17,004,318**	11,459,980
Cost of sales		**(16,547,713)**	(10,796,880)
Gross profit		**456,605**	663,100
Other revenue		**103,872**	53,885
Gain on disposal of vessels, net		**262,423**	—
Fee and arrangement charges for the consents from the Notes holders in relation to the issuance of convertible preferred shares		**(23,832)**	—
General and administrative expenses		**(350,152)**	(221,567)
Finance costs	7	**(482,413)**	(385,544)
Share of profits of associates		**9,019**	615
PROFIT/(LOSS) BEFORE TAX	6	**(24,478)**	110,489
Tax	10	**(6,494)**	(13,977)
PROFIT/(LOSS) FOR THE YEAR		**(30,972)**	96,512
Attributable to:			
Equity holders of the parent	11, 33(a)	**(29,104)**	100,333
Minority interests		**(1,868)**	(3,821)
		(30,972)	96,512
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**(HK0.60 cents)**	HK2.07 cents
Diluted		**N/A**	HK2.02 cents

Consolidated Balance Sheet

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**4,758,740**	4,997,710
Deposits for acquisition of vessels	14	**—**	44,207
Prepaid land/seabed lease payments	15	**881,296**	348,694
Licences	16	**39,933**	42,528
Goodwill	17	**1,018,116**	483,205
Interests in associates	19	**263,746**	169,661
Deposits for construction in progress		**268,215**	—
Deposit held in a collateral account	21	**14,166**	9,750
Total non-current assets		**7,244,212**	6,095,755
CURRENT ASSETS			
Bunker oil		**93,724**	92,872
Inventories		**1,124,511**	783,434
Accounts receivable	22	**1,158,427**	1,250,652
Prepayments, deposits and other receivables		**579,583**	182,396
Contracts in progress	23	**205,587**	20,296
Derivative financial instruments	24	**258,095**	148,439
Pledged deposits	25	**597,184**	72,644
Cash and cash equivalents	25	**1,513,620**	300,548
Total current assets		**5,530,731**	2,851,281
CURRENT LIABILITIES			
Interest-bearing bank and other loans	26	**1,798,617**	642,899
Accounts and bills payable	27	**913,153**	912,634
Other payables and accruals	27	**868,726**	629,469
Finance lease payables	28	**424**	26,352
Excess of progress billings over contract costs	23	**21,833**	11,490
Derivative financial instruments	24	**408,527**	48,669
Tax payable		**26,274**	26,093
Total current liabilities		**4,037,554**	2,297,606
NET CURRENT ASSETS		**1,493,177**	553,675
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,737,389**	6,649,430

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT LIABILITIES			
Fixed rate guaranteed senior notes	29	**(3,135,041)**	(3,124,306)
Convertible preferred shares — liability portion	34	**(501,622)**	—
Interest-bearing bank and other loans	26	**(1,261,209)**	(1,202,464)
Finance lease payables	28	**(722)**	(112,005)
Deferred tax liabilities	30	**(153,586)**	(58,750)
Total non-current liabilities		**(5,052,180)**	(4,497,525)
Net assets		**3,685,209**	2,151,905
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	31	**64,737**	48,649
Equity portion of convertible preferred shares	34	**75,559**	—
Reserves	33(a)	**2,911,589**	2,000,259
		3,051,885	2,048,908
Contingently redeemable equity in a jointly-controlled entity	34	**517,837**	—
Minority interests		**115,487**	102,997
Total equity		**3,685,209**	2,151,905

Barry Cheung Chun Yuen
Director

Tsoi Tin Chun
Director

Consolidated Summary Statement of Changes in Equity

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Total equity at 1 January, net of minority interests		**2,048,908**	1,859,097
Exchange differences on translation of the financial statements of foreign entities	33(a)	**54,206**	20,568
Changes in fair values of cash flow hedges	24	**(14,246)**	36,555
Net income recognised directly in equity		**39,960**	57,123
Profit/(loss) for the year attributable to equity holders of the parent	33(a)	**(29,104)**	100,333
Total income and expense for the year		**10,856**	157,456
Issue of ordinary shares, including share premium	31, 33(a)	**928,864**	8,398
Issue of convertible preferred shares	34	**75,559**	—
Issuance expenses	33(a)	**(28,871)**	—
Equity-settled share option arrangements	33(a)	**3,374**	8,830
Final dividend declared		**—**	(29,077)
Asset revaluation reserve arising from acquisition of subsidiaries	33(a)	**—**	44,204
Deferred tax credit to equity during the year	33(a)	**13,195**	—
Total equity attributable to ordinary equity holders of the parent		**3,051,885**	2,048,908
Contingently redeemable equity in a jointly-controlled entity	34	**517,837**	—
Minority interests as at 31 December		**115,487**	102,997
Total equity as at 31 December		**3,685,209**	2,151,905

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(24,478)**	110,489
Adjustments for:			
Gain on disposal of vessels, net		**(262,423)**	—
Fee and arrangement charges for the consents from the Notes holders in relation to the issuance of convertible preferred shares		**23,832**	—
Depreciation	6	**309,527**	369,789
Write-off of/allowance for bad and doubtful debts	6	**13,707**	17,264
Amortisation of licences	6	**2,595**	2,608
Amortisation of prepaid land/seabed lease payments	6	**2,110**	—
Loss on disposal of items of property, plant and equipment	6	**3,009**	258
Net change in fair value of derivative instruments not qualifying as hedges	6	**235,956**	(75,213)
Share of profits of associates		**(9,019)**	(615)
Interest income	6	**(48,777)**	(22,114)
Finance costs	7	**482,413**	385,544
Equity-settled share option expenses		**3,374**	8,830
		731,826	796,840
Decrease/(increase) in amounts due from associates		**29,866**	(68,020)
Increase in bunker oil		**(852)**	(11,459)
Increase in inventories		**(309,732)**	(465,158)
Decrease/(increase) in accounts receivable		**78,518**	(246,732)
Increase in prepayments, deposits and other receivables		**(50,530)**	(32,737)
Decrease/(increase) in contracts in progress		**(2,676)**	191,642
Increase in trust receipt loans		**551,311**	320,854
Increase in accounts and bills payable		**519**	282,118
Increase/(decrease) in other payables and accruals		**(291,913)**	467,732
Increase/(decrease) in excess of progress billings over contract costs		**10,343**	(17,717)
Cash generated from operations		**746,680**	1,217,363
Interest received		**40,050**	22,114
Interest paid		**(486,654)**	(374,887)
Overseas profits tax paid		**(13,545)**	(10,044)
Net cash inflow from operating activities		**286,531**	854,546

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in a deposit held in a collateral account	21	**(4,416)**	68,250
Increase in time deposits with original maturity of more than three months		**(32,836)**	—
Additions to property, plant and equipment		**(454,248)**	(713,690)
Prepaid land/seabed lease additions		**—**	(74,231)
Deposits paid for acquisition of vessels		**—**	(44,207)
Deposits paid for construction in progress		**(268,215)**	—
Interest capitalised		**(25,985)**	—
Proceeds from disposals of property, plant and equipment		**416**	249
Net proceeds from disposals of vessels		**1,137,037**	—
Proceeds from disposals of non-current assets classified as held for sale		**—**	11,372
Increase in contribution from minority shareholders to a subsidiary		**14,358**	89,136
Capital contributions to associates		**(35,100)**	(13,507)
Acquisition of an associate		**(6,108)**	—
Acquisition of subsidiaries	35	**(435,288)**	(231,177)
Net cash outflow from investing activities		**(110,385)**	(907,805)
CASH FLOWS FROM FINANCING ACTIVITIES			
Inception of new bank and other loans	26	**1,311,288**	732,047
Repayment of bank and other loans	26	**(869,785)**	(905,149)
Proceeds from issue of ordinary shares	31	**290,683**	8,398
Proceeds from issue of Titan Preferred Shares		**287,702**	—
Proceeds from issue of TGIL Preferred Shares		**774,224**	—
Fee and arrangement charges for the consents from the Notes holders in relation to the issuance of convertible preferred shares		**(23,832)**	—
Share issue expenses		**(28,871)**	—
Capital element of finance lease rental payments		**(137,211)**	(26,516)
Dividends paid		**—**	(29,077)
Net cash inflow/(outflow) from financing activities		**1,604,198**	(220,297)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,780,344**	(273,556)
Cash and cash equivalents at beginning of year		**373,192**	657,251
Effect of foreign exchange rate changes, net		**(75,568)**	(10,503)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,077,968**	373,192
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**694,224**	112,651
Non-pledged time deposits with original maturity of less than three months when acquired	25	**819,396**	187,897
Bank balances pledged as security for trading facilities	25	**3,934**	12,141
Time deposits with original maturity of less than three months when acquired, pledged as security for trading facilities	25	**560,414**	60,503
		2,077,968	373,192

Balance Sheet

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	18	**5,535,041**	3,934,851
Deposit held in a collateral account	21	**14,166**	9,750
Total non-current assets		**5,549,207**	3,944,601
CURRENT ASSETS			
Due from subsidiaries	18	**312,000**	351,000
Prepayments, deposits and other receivables		**1,542**	995
Derivative financial instruments	24	**—**	8,434
Cash and cash equivalents	25	**298,858**	4,627
Total current assets		**612,400**	365,056
CURRENT LIABILITIES			
Other payables and accruals		**25,879**	3,906
Derivative financial instruments	24	**5,812**	—
Total current liabilities		**31,691**	3,906
NET CURRENT ASSETS		**580,709**	361,150
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,129,916**	4,305,751
NON-CURRENT LIABILITIES			
Fixed rate guaranteed senior notes	29	**(3,135,041)**	(3,124,306)
Convertible preferred shares — liability portion	34	**(226,879)**	—
Due to subsidiaries	18	**(636,598)**	—
Total non-current liabilities		**(3,998,518)**	(3,124,306)
Net assets		**2,131,398**	1,181,445
EQUITY			
Issued capital	31	**64,737**	48,649
Equity portion of convertible preferred shares	34	**75,559**	—
Reserves	33(b)	**1,991,102**	1,132,796
Total equity		**2,131,398**	1,181,445

Barry Cheung Chun Yuen
Director

Tsoi Tin Chun
Director

Notes to Financial Statements

31 December 2007

1. CORPORATE INFORMATION

Titan Petrochemicals Group Limited (the "Company") was incorporated in Bermuda on 24 April 1999 as an exempted company with limited liability under the Bermuda Companies Act 1981.

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. During the year, the principal place of business of the Company was located at Suite 4901, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (the "Group") were involved in the following principal activities:

(i) supply of oil products and provision of bunker refueling services;

(ii) provision of logistic services (including oil storage and oil transportation); and

(iii) shipbuilding.

Great Logistics Holdings Limited ("Great Logistics") is the immediate holding company of the Company. In the opinion of the Company's directors, the parent and ultimate holding company of the Group is Titan Oil Pte. Ltd. ("Titan Oil"), which is incorporated in Singapore.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations), issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for inventories and derivative financial instruments, which have been measured at fair values. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and the liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for certain cases which give rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosure*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements — Capital disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 42 to the financial statements.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees in accordance with the Company's share option scheme, this interpretation has had no effect on the financial statements.

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has not changed the terms of such contracts, the interpretation has had no effect on the financial statements.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

HKFRS 2 Amendment	Share-based Payment — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on 1 January 2009
2 Effective for annual periods beginning on 1 July 2009
3 Effective for annual periods beginning on 1 March 2007
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2008

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures, these new and revised HKFRSs should not have any significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have interests.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon dissolution. The profits and losses from joint venture operations and any distributions of surplus assets are shared by the venturer parties, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures (continued)

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in its jointly-controlled entities are accounted for by proportionate consolidation, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interest in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the assets transferred.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combinations over the Group's interests in the net fair values of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisition for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill on acquisition for which the agreement date is on or after 1 January 2005 (continued)

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the consolidated income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	20 to 35 years
Leasehold improvements	The shorter of the lease terms and 6 years
Vessels	The shorter of the remaining age and 25 years
Oil storage facilities	20 to 50 years
Machinery	10 years
Furniture, equipment and motor vehicles	5 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Costs incurred for dry-docking of vessels are included in costs of vessels. They are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs are incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

Residual values, useful lives and the depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Construction in progress represents oil berthing and storage facilities under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Licences

Licences represent the rights acquired to undertake floating storage operations. They are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 20 years, and assessed for impairment whenever there is an indication that the licences may be impaired. The amortisation period and the amortisation method for the licences with a finite useful life are reviewed at least at each balance sheet date.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the consolidated income statement on the straight-line basis over the lease terms.

Prepaid land/seabed lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the remaining lease terms.

Financial assets

Financial assets under the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss or loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of loans and receivables, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivatives is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within periods generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the consolidated income statement. The net fair value gains or losses recognised in the consolidated income statement do not include any dividends on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, and a discounted cash flow analysis.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the consolidated income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the consolidated income statements, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to accounts and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the orginal terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including accounts and other payables, interest-bearing loans and borrowings and convertible preferred shares — liability portion are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the consolidated income statement.

Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts within the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as oil price swap contracts and interest rate swap agreements to hedge its risks associated with price fluctuations for oil products and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair values on derivatives that do not qualify for hedge accounting are taken directly to the consolidated income statement.

The fair value of forward purchase and sale contracts and interest rate swap contracts is calculated by reference to current market values.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability, a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as cash flow hedges as set out below.

The effective portion of the gain or loss on a hedging instrument is recognised directly in equity, while the ineffective portion is recognised immediately in the consolidated income statement.

Amounts taken to equity are transferred to the consolidated income statement when the hedged transaction affects the consolidated income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in equity are transferred to the consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Convertible preferred shares

The component of convertible preferred shares that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of the convertible preferred shares, the fair value of the liability portion is determined by using the current market interest rate to discount future expected cash flows, and this amount is classified as a non-current financial liability on the amortised cost until extinguished on conversion or redemption.

The remainder of the proceeds are allocated to the equity portion of the convertible preferred shares recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. The transaction costs are apportioned between liability and equity portions of the convertible preferred shares based on the allocation of proceeds to the liability and equity portions when the instruments are first recognied.

Bunker oil, ship stores and spare parts

Bunker oil is stated at cost less any provisions considered necessary by the directors. Cost is determined on the weighted average cost method basis.

Ship stores and spare parts are charged as operating expenses when purchased.

Inventories

Inventories, representing oil products that are principally commodities held for sale in the near future to generate a profit from fluctuations in price, are measured at fair value less costs to sell, with changes in fair value less costs to sell being recognised in the consolidated income statement in the period of the change.

Contracts in progress/excess of progress billings over contract costs

Voyage chartering and shipbuilding are accounted for in the consolidated balance sheet as all direct costs incurred plus recognised profits, less recognised losses and progress billings. Voyage chartering revenue and shipbuilding revenue comprise the invoiced amount while the direct costs incurred comprise bunker oil consumed and other overheads for voyage chartering, direct material costs and other overheads for shipbuilding.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where direct costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as contracts in progress.

Where progress billings exceed direct costs incurred to date plus recognised profits less recognised losses, the surplus is treated as excess of progress billings over contract costs.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) revenue from the provision of logistic services:

  (i) from voyage chartering, on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage, as further explained in the accounting policy for “Contracts in progress/excess of progress billings over contract costs” above;

  (ii) from time chartering, in the period in which the vessels are let and on the straight-line basis over the lease terms;

(c) from shipbuilding, on a percentage of completion basis, which is determined on the completion proportion method of each individual shipbuilding contract, as further explained in the accounting policy for “Contracts in progress/excess of progress billings over contract costs” above; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an appropriate pricing model, further details of which are given in note 32 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (“market conditions”), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the “vesting date”). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested on 1 January 2005 and to those granted on or after 1 January 2005.

Other employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of Group subsidiaries which operate in Mainland China are required to participate in a central pension scheme (the “CB Scheme”) operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll to the CB Scheme. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the CB Scheme.

The employees of subsidiaries in Singapore are members of the Central Provident Fund (the “CPF”) operated by the government of Singapore. The subsidiaries and the employees are required to contribute a certain percentage of their payroll to the CPF. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the CPF. The subsidiaries have no further obligations for the actual pension payments or post-retirement benefits beyond their contributions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Borrowing costs, which are not directly attributable to the acquisition or construction of qualifying assets, are charged to the consolidated income statement in the period in which they are incurred.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date and all differences are taken to the consolidated income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries, jointly-controlled entities and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries and jointly-controlled entities which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Depreciation of vessels

Depreciation of vessels constitutes a portion of the Group's operating costs. The cost of property, plant and equipment is charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in market conditions, asset retirement activities and salvage values to determine adjustments to the estimated remaining useful lives and residual values.

Actual economic lives may differ from estimated useful lives. Periodic reviews could result in changes in residual values and, therefore, depreciation charges in future periods.

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgements in the area of asset impairment, particularly in assessing (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections, including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present values used in impairment tests.

Income tax

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable (that is, more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgements regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carryforward tax losses, the asset balance will be reduced and charged to the consolidated income statement.

Estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

The Group determines whether goodwill is impaired, at least, on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make estimates of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(i) supply of oil products and provision of bunker refueling services;

(ii) provision of logistic services (including oil transportation and oil storage); and

(iii) shipbuilding.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers and assets are attributed to the segments based on the location of the assets.

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.

4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

	Supply of oil products and provision of bunker refueling services		Provision of logistic services: Oil transportation		Provision of logistic services: Oil storage: Off shore		Provision of logistic services: Oil storage: On shore		Shipbuilding		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue														
Revenue from external customers	**15,442,120**	9,282,116	**1,236,516**	2,081,842	**196,659**	95,938	**15,006**	84	**114,017**	—	**—**	—	**17,004,318**	11,459,980
Intersegment revenue	**394,323**	574,988	**—**	147,158	**395,018**	66,200	**32,719**	6,382	**—**	—	**(822,060)**	(794,728)	**—**	—
	15,836,443	9,857,104	**1,236,516**	2,229,000	**591,677**	162,138	**47,725**	6,466	**114,017**	—	**(822,060)**	(794,728)	**17,004,318**	11,459,980
Segment results	**54,203**	75,076	**390,252**	445,329	**108,897**	26,694	**(3,193)**	(1,195)	**15,710**	—	**—**	—	**565,869**	545,904
Interest income and unallocated gains													**139,860**	51,334
Unallocated expenses													**(256,813)**	(101,820)
Finance costs													**(482,413)**	(385,544)
Share of profits of associates	**6,782**	—	**—**	—	**—**	—	**2,237**	615	**—**	—	**—**	—	**9,019**	615
Profit/(loss) before tax													**(24,478)**	110,489
Tax													**(6,494)**	(13,977)
Profit/(loss) for the year													**(30,972)**	96,512

Note: During the year, the Group performed a review of its businesses and rationalised the classifications for oil storage, supply of oil products and bunker refueling services. Accordingly, certain comparative amounts have been reclassified to conform to the current year presentation.

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Supply of oil products and provision of bunker refueling services		Provision of logistic services: Oil transportation		Oil storage: Off shore		Oil storage: On shore		Shipbuilding		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities												
Segment assets	2,995,576	2,485,830	1,915,467	4,362,583	1,461,157	299,695	1,938,275	1,288,061	2,160,619	—	10,471,094	8,436,169
Interests in associates	45,459	—	—	—	—	—	218,287	169,661	—	—	263,746	169,661
Unallocated assets											2,040,103	341,206
Total assets											12,774,943	8,947,036
Segment liabilities	1,370,539	1,522,958	26,270	218,963	17,790	13,627	85,951	140,891	464,946	—	1,965,496	1,896,439
Unallocated liabilities											7,124,238	4,898,692
Total liabilities											9,089,734	6,795,131
Other segment information												
Depreciation and amortisation	29,680	10,688	157,507	343,254	99,489	9,647	14,839	806	2,765	—	304,280	364,395
Unallocated depreciation and amortisation											9,952	8,002
											314,232	372,397
Capital expenditure	1,719	—	16,300	138,180	106,151	365	245,420	596,772	1,005,838	—	1,375,428	735,317
Unallocated capital expenditure											22,842	52,604
											1,398,270	787,921
Write-off of/allowance for bad and doubtful debts	3,360	6,710	9,312	9,702	493	—	—	—	—	—	13,165	16,412
Unallocated write-off of/ allowance for bad and doubtful debts											542	852
											13,707	17,264

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

	China		Other Asia Pacific Countries		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Segment revenue						
Revenue from external customers	**895,371**	885,073	**16,108,947**	10,574,907	**17,004,318**	11,459,980
Other segment information						
Segment assets	**5,640,963**	1,776,099	**5,655,722**	3,381,555	**11,296,685**	5,157,654
Unallocated assets					**1,478,258**	3,789,382
					12,774,943	8,947,036
Capital expenditure	**1,254,553**	648,353	**127,417**	1,387	**1,381,970**	649,740
Unallocated capital expenditure					**16,300**	138,181
					1,398,270	787,921
Write-off of/ allowance for bad and doubtful debts	**—**	—	**13,707**	17,264	**13,707**	17,264

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of oil products sold, after allowances for returns and trade discounts, income from the provision of bunker refueling services, gross freight income from the provision of oil transportation service, gross income from oil storage services and gross income from shipbuilding. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

	2007 HK$'000	2006 HK$'000
Supply of oil products and provision of bunker refueling services	**15,442,120**	9,282,116
Provision of oil transportation services	**1,236,516**	2,081,842
Provision of oil storage services	**211,665**	96,022
Shipbuilding	**114,017**	—
	17,004,318	11,459,980

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	Group 2007 HK$'000	 2006 HK$'000
Cost of inventories sold		**15,360,017**	9,160,132
Cost of services rendered		**1,187,696**	1,636,748
Depreciation*	13	**309,527**	369,789
Amortisation of prepaid land/seabed lease payments	15	**2,110**	—
Amortisation of licences**	16	**2,595**	2,608
Minimum lease payments under operating leases:			
Vessels		**403,957**	470,259
Leasehold buildings		**10,964**	9,460
Employee benefits expense (excluding directors' remuneration — note 8):			
Wages and salaries		**270,282**	188,990
Equity-settled share option expenses		**2,688**	6,235
Pension scheme contributions		**6,782**	4,568
		279,752	199,793
Auditors' remuneration		**5,283**	3,800
Loss on disposal of items of property, plant and equipment		**3,009**	258
Net change in fair value of derivative instruments not qualifying as hedges**		**235,956**	(75,213)
Foreign exchange differences, net		**8,076**	2,379
Write-off of/allowance for bad and doubtful debts	22	**13,707**	17,264
Bank interest income		**(48,777)**	(22,114)

* Depreciation of vessels of HK$289,052,000 (2006: HK$360,981,000) is included in "Cost of sales" in the consolidated income statement.

** These items are included in "Cost of sales" in the consolidated income statement.

7. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**84,166**	80,807
Interest on bank loans not wholly repayable within five years	**59,301**	8,119
Interest on other loan	**—**	16,234
Interest on trust receipt loans, secured	**42,768**	7,225
Interest on finance lease payables	**8,223**	16,387
Interest on fixed rate guaranteed senior notes	**275,934**	275,857
Dividends on convertible preferred shares		
— Titan Preferred Shares (note 34)	**14,736**	—
— Titan Group Investment Limited ("TGIL") Preferred Shares (note 34)	**18,356**	—
Other borrowing costs	**4,914**	760
Total interest expenses	**508,398**	405,389
Less: Interest capitalised	**(25,985)**	(19,845)
	482,413	385,544

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Fees	**1,358**	1,094
Other emoluments:		
Salaries, allowances and benefits in kind	**4,200**	7,254
Equity-settled share option expenses	**687**	2,595
Pension scheme contributions	**12**	24
	6,257	10,967

During the prior year, a director was granted share options in respect of his service to the Group under the share option scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair value of such options, which has been recognised in the consolidated income statement over the vesting period, was determined as at the date of grant.

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2007 HK$'000	2006 HK$'000
Mr. Abraham Shek Lai Him	331	191
Mr. John William Crawford	365	200
Mr. Liu Hongru	—	33
Ms. Maria Tam Wai Chu	340	240
Mr. Wong Kong Hon	115	230
	1,151	894

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

(b) Executive directors and non-executive directors

2007	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employee share option benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors					
Mr. Cheung Chun Yuen Barry	—	3,212	607	12	3,831
Mr. Ib Fruergaard	—	988	80	—	1,068
Mr. Tsoi Tin Chun	—	—	—	—	—
	—	4,200	687	12	4,899
Non-executive directors					
Mr. Cheong Soo Kiong	100	—	—	—	100
Mr. Ib Fruergaard	107	—	—	—	107
	207	4,200	687	12	5,106

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and a non-executive director (continued)

2006	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employee share option benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors					
Mr. Cheung Chun Yuen Barry	—	3,359	1,943	12	5,314
Mr. Ib Fruergaard	—	3,895	652	12	4,559
Mr. Tsoi Tin Chun	—	—	—	—	—
	—	7,254	2,595	24	9,873
Non-executive director					
Mr. Cheong Soo Kiong	200	—	—	—	200
	200	7,254	2,595	24	10,073

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

The above executive directors' remuneration are equivalent to the compensation of key management personnel of the Group.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2006: two) directors, details of whose remuneration are disclosed in note 8 above. Details of the remuneration of the remaining four (2006: three) non-director, highest paid employees for the year are as follows:

	Group 2007 HK$'000	Group 2006 HK$'000
Salaries, allowances and benefits in kind	**28,076**	7,217
Equity-settled share option expenses	**806**	1,826
Pension scheme contributions	**202**	128
	29,084	9,171

9. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director, highest paid employees whose remuneration fell within the designated bands is as follows:

	Number of employees 2007	2006
HK$1,500,001 to HK$2,000,000	—	2
HK$3,000,001 to HK$3,500,000	1	—
HK$3,500,001 to HK$4,000,000	—	1
HK$4,000,001 to HK$4,500,000	1	—
HK$5,000,001 to HK$5,500,000	1	—
HK$16,500,001 to HK$17,000,000	1	—
	4	3

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. The majority of the Group's subsidiaries are domiciled in Singapore where the prevailing tax rate is 20% (2006: 20%).

With the Global Trader Programme ("GTP") incentive awarded by the Inland Revenue Authority of Singapore, certain qualified income generated during the year from the oil supply business of the Group has been charged at a tax concessionary rate of 10%. Any other income not qualified for the GTP incentive has been charged at the rate of 20% during the year.

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 are 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 year.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New PRC Tax Law") which took effect on 1 January 2008. The PRC income tax rate is unified to 25% for all enterprises.

The State Council of the PRC passed an implementation guidance note ("Implementation Guidance") on 26 December 2007, which sets out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, certain PRC enterprises of the Group which have not fully utilised its five-year tax holiday will be allowed to continue to enjoy a full exemption from a reduction in income tax rate until expiry of the tax holiday, after which, the 25% standard rate will apply.

10. TAX (continued)

	2007 HK$'000	2006 HK$'000
Group		
Current — Hong Kong:		
Overprovision in prior years	—	(11)
Current — Elsewhere:		
Charge for the year	11,832	15,517
Under/(over)provision in prior years	(978)	1,585
Deferred taxation (note 30)	(4,360)	(3,173)
Share of tax attributable to an associate	—	59
Total tax charge for the year	6,494	13,977

A reconciliation of the tax expense applicable to the profit before tax using the applicable rates (i.e. statutory rates) for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Group	
	2007 HK$'000	2006 HK$'000
Profit/(loss) before tax	(24,478)	110,489
Tax at the applicable rates to profits/(loss) in the countries concerned	(4,284)	20,088
Adjustments in respect of current tax of previous periods	(978)	1,574
Income not subject to tax	(564,622)	(448,036)
Expenses not deductible for tax	576,378	440,351
Tax charge at the Group's effective rate	6,494	13,977

The share of tax attributable to associates amounting to HK$1,954,000 is included in "Share of profits of associates" on the face of the consolidated income statement.

11. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated loss attributable to equity holders of the parent for the year ended 31 December 2007 includes a loss of HK$14,727,000 (2006: profit of HK$43,061,000) which has been dealt with in the financial statements of the Company (note 33(b)).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share is based on the consolidated loss for the year attributable to ordinary equity holders of the parent of approximately HK$29,104,000 (2006: profit of HK$100,333,000), and the weighted average of 4,887,579,599 (2006: 4,853,689,462) ordinary shares in issue during the year.

Diluted loss per share amount for the year ended 31 December 2007 has not been disclosed, as the share options and the convertible preferred shares outstanding during the year had an anti-dilutive effect on the basic loss per share for the current year.

In the prior year, the calculation of diluted earnings per share is based on the consolidated profit for the year attributable to ordinary equity holders of the parent of approximately HK$100,333,000. The number of ordinary shares used in the calculation is the weighted average of 4,853,689,462 ordinary shares in issue during the year, as used in the basic earnings per share calculation, plus the weighted average of 102,817,352 ordinary shares assumed to have been issued at no consideration of the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

13. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2007	Buildings HK$'000	Machinery HK$'000	Leasehold improvements HK$'000	Vessels HK$'000	Oil storage facilities HK$'000	Furniture, equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 December 2006 and at 1 January 2007								
Cost	—	—	18,452	4,687,414	159,440	72,581	730,677	5,668,564
Accumulated depreciation	—	—	(5,787)	(650,700)	(295)	(14,072)	—	(670,854)
Net carrying amount	—	—	12,665	4,036,714	159,145	58,509	730,677	4,997,710
At 1 January 2007, net of accumulated depreciation	—	—	12,665	4,036,714	159,145	58,509	730,677	4,997,710
Additions	—	91,593	6,283	115,898	8,843	38,028	193,603	454,248
Disposals	—	—	(6,350)	(885,450)	—	(878)	—	(892,678)
Acquisition of subsidiaries (note 35)	—	56,843	—	—	—	10,144	344,843	411,830
Depreciation provided during the year	(3,844)	(2,540)	(2,789)	(267,458)	(19,714)	(13,182)	—	(309,527)
Transfers	114,958	—	—	—	455,618	—	(570,576)	—
Exchange realignment	7,212	4,566	426	1,314	28,137	1,789	53,713	97,157
At 31 December 2007, net of accumulated depreciation	118,326	150,462	10,235	3,001,018	632,029	94,410	752,260	4,758,740
At 31 December 2007:								
Cost	122,292	153,181	16,084	3,657,758	652,430	116,698	752,260	5,470,703
Accumulated depreciation	(3,966)	(2,719)	(5,849)	(656,740)	(20,401)	(22,288)	—	(711,963)
Net carrying amount	118,326	150,462	10,235	3,001,018	632,029	94,410	752,260	4,758,740

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

31 December 2006	Buildings HK$'000	Machinery HK$'000	Leasehold improvements HK$'000	Vessels HK$'000	Oil storage facilities HK$'000	Furniture, equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 December 2005 and at 1 January 2006								
Cost	—	—	8,995	4,552,488	—	23,824	162,882	4,748,189
Accumulated depreciation	—	—	(3,149)	(293,759)	—	(6,961)	—	(303,869)
Net carrying amount	—	—	5,846	4,258,729	—	16,863	162,882	4,444,320
At 1 January 2006, net of accumulated depreciation	—	—	5,846	4,258,729	—	16,863	162,882	4,444,320
Additions	—	—	9,444	137,843	10	49,588	516,805	713,690
Disposals	—	—	—	(106)	—	(401)	—	(507)
Acquisition of subsidiaries (note 35)	—	—	—	—	—	—	180,843	180,843
Depreciation provided during the year	—	—	(2,611)	(359,278)	(295)	(7,605)	—	(369,789)
Transfers	—	—	—	—	159,430	—	(159,430)	—
Exchange realignment	—	—	(14)	(474)	—	64	29,577	29,153
At 31 December 2006, net of accumulated depreciation	—	—	12,665	4,036,714	159,145	58,509	730,677	4,997,710
At 31 December 2006:								
Cost	—	—	18,452	4,687,414	159,440	72,581	730,677	5,668,564
Accumulated depreciation	—	—	(5,787)	(650,700)	(295)	(14,072)	—	(670,854)
Net carrying amount	—	—	12,665	4,036,714	159,145	58,509	730,677	4,997,710

* On 4 January 2007, 14 February 2007 and 9 March 2007, the Group entered into seperate agreements with independent third parties to dispose of 5 vessels at a total consideration of US$26,683,000 (equivalent to approximately HK$208,127,000). Upon completion of these transactions, the Group recorded a total gain on disposal of HK$116,110,000.

On 10 April 2007, the Group settled the charter hire agreement for a vessel of US$25,200,000 (equivalent to approximately HK$196,560,000). On the same date, the Group entered into an agreement with an independent third party to disposed of this vessel at a consideration of US$41,000,000 (equivalent to approximately HK$319,800,000). Upon completion of the above transactions on 20 June 2007, the Group recorded a gain of HK$66,959,000. These transactions constituted a discloseable transaction under the Listing Rules, further details of which were set out in the Company's circular dated 3 May 2007.

On 27 September 2007, the Group entered into an agreement with independent third parties to dispose of a vessel for a total consideration of US$91,000,000 (equivalent to approximately HK$709,800,000). Upon completion, the Group recorded a total gain on disposal of HK$79,354,000. This disposal was constituted as having a discloseable transaction under the Listing Rules, further details of which were set out in the Company's circular dated 18 October 2007.

During the year, the residual values of the Group's vessels were reassessed with reference to a valuation by Ritchie & Bitsset (Far East) Pte. Ltd, independent professionally qualified valuers and, accordingly, the depreciation charges on vessels for the year ended 31 December 2007 have been calculated taking into consideration the revised estimated residual values. This represented a change in accounting estimate and the depreciation charge for the year has been reduced by HK$104,346,000 (2006: Nil) accordingly.

13. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2007, the Group's vessels, oil storage facilities and construction in progress with carrying values of approximately HK$1,625,759,000 (2006: HK$2,560,454,000), HK$489,509,000 (2006: HK$159,145,000) and HK$151,078,000 (2006: HK$166,402,000), respectively, were pledge to secure certain banking facilities granted to the Group (note 26).

The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amount of furniture, equipment and motor vehicles at 31 December 2007 amounted to HK$1,361,000 (2006: HK$348,000). During the year, the pledge of a vessel under finance leases (2006: carrying amount of HK$206,958,000) was released.

14. DEPOSITS FOR ACQUISITION OF VESSELS

In the prior year, the balance represented deposits for the acquisition of bunker barges from Titan Quanzhou Shipyard Co. Ltd. which became a wholly-owned subsidiary with effect from 24 October 2007 (note 40(a)(ii)).

15. PREPAID LAND/SEABED LEASE PAYMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount at 1 January	**348,694**	60,750
Additions	**—**	74,231
Acquisition of subsidiaries (note 35)	**532,192**	208,089
Amortisation provided during the year	**(2,110)**	—
Exchange realignment	**2,520**	5,624
Carrying amount at 31 December	**881,296**	348,694

Prepaid land/seabed lease payments represent outlays in respect of the acquisition of land/seabed use rights that are accounted for as operating leases. The land/seabed leases are long term and are situated in Mainland China.

At 31 December 2007 and 2006, the Group's land/seabed use rights of HK$371,965,000 (2006: HK$269,477,000) were pledged to secure certain banking facilities granted to the Group (note 26).

16. LICENCES

Group

	HK$'000
31 December 2007	
Cost at 1 January 2007, net of accumulated amortisation	**42,528**
Amortisation provided during the year	**(2,595)**
At 31 December 2007	**39,933**
At 31 December 2007:	
Cost	**51,935**
Accumulated amortisation	**(12,002)**
Net carrying amount	**39,933**

Group

	HK$'000
31 December 2006	
Cost at 1 January 2006, net of accumulated amortisation	45,136
Amortisation provided during the year	(2,608)
At 31 December 2006	42,528
At 31 December 2006:	
Cost	51,935
Accumulated amortisation	(9,407)
Net carrying amount	42,528

Licences represent the rights acquired to undertake floating storage operations within the port limits off the east and west coasts of the Malaysia peninsula, pursuant to licences issued by the Ministry of Transport of Malaysia.

17. GOODWILL

Group

	HK$'000
31 December 2007	
Cost and net carrying amount at 1 January 2007	**483,205**
Acquisition of subsidiaries (note 35)	**534,911**
At 31 December 2007	**1,018,116**
31 December 2006	
Cost and net carrying amount at 1 January 2006	237,907
Acquisition of subsidiaries (note 35)	245,298
At 31 December 2006	483,205

There were no accumulated impairments as at 1 January 2006 and 1 January 2007.

Goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

- Oil supply cash-generating unit;
- On-shore oil storage cash-generating unit;
- Oil transportation services cash-generating unit attributable to Neptune Associated Shipping Pte. Ltd. and its subsidiaries (the "NAS Group"); and
- Shipbuilding cash-generating unit.

Impairment testing of goodwill

Oil supply cash-generating unit

The recoverable amount of the oil supply cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to the cash flow projections was 10.5%.

On-shore oil storage cash-generating unit

The recoverable amount of the on-shore oil storage cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering the period equivalent to the lease term of the land where the on-shore oil berthing and storage facilities are erected. The discount rate applied to the cash flow projections was 10.5% and the cash flows beyond the five-year period were projected by using average growth rates from 5% to 7% for different on-shore oil storage revenue.

17. GOODWILL (continued)

Impairment testing of goodwill (continued)

Oil transportation services cash-generating unit attributable to the NAS Group

The recoverable amount of the oil transportation services cash-generating unit is also determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to the cash flow projections was 10.5%.

Shipbuilding cash-generating unit

The recoverable amount of the shipbuilding cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a twenty-year period. The discount rate applied to the cash flow projections was 10.5% and the cash flows beyond the five-year period were projected by using average growth rates of 5% for shipbuilding revenue.

The key assumptions for the above cash flow projections are the budgeted gross margins which are the average gross margins achieved in the year immediately before the budgeted years, increases for expected market development, and a discount rate of 10.5%, which is before tax and reflects specific risks relating to the respective cash generating units.

As at 31 December 2007, no impairment provisions have been made against the goodwill arising from the acquisition of the oil supply, on shore oil storage and shipbuilding businesses and the oil transportation services provided by the NAS Group.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**175,508**	39,008
Due from subsidiaries	**5,671,533**	4,465,452
Due to subsidiaries	**—**	(218,609)
	5,847,041	4,285,851
Portion of amounts due from subsidiaries classified as current assets	**(312,000)**	(351,000)
Non-current portion	**5,535,041**	3,934,851

The amounts due are unsecured and interest-free. Except for the amounts due from subsidiaries of HK$312,000,000 (2006: HK$351,000,000) which are expected to be settled within the next twelve months from the balance sheet date, the amounts due from and to subsidiaries have no fixed terms of repayment.

The carrying amounts of these amounts due from and to subsidiaries approximate their fair values.

18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Titan Oil (Asia) Ltd.	British Virgin Islands ("BVI")	Ordinary US$1	100	Investment holding
Titan FSU Investment Limited	BVI	Ordinary US$1,000	100	Investment holding
Titan Oil Storage Investment Limited	BVI	Ordinary US$1	100	Investment holding
Titan Oil Trading (Asia) Limited	BVI	Ordinary US$1	100	Investment holding
Titan Bunkering Investment Limited	BVI	Ordinary US$1	100	Investment holding
Harbour Sky Investments Limited	BVI	Ordinary US$1	100	Investment holding
Titan Shipyard Holdings Limited	BVI	Ordinary US$1	100	Investment holding
Indirectly held				
Petro Titan Pte. Ltd. ("Petro Titan")	Singapore	Ordinary S$10,000,000	100	Provision of supply and procurement services of oil products
Titan Oriental Tiger Limited	Hong Kong	Ordinary HK$100	100	Dormant
Titan Oil (HK) Co. Limited	Hong Kong	Ordinary HK$2	100	Dormant

18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)				
Titan Bunkering (HK) Limited	Hong Kong	Ordinary HK$1	100	Provision of bunker refueling services
Titan Bunkering Pte. Ltd.	Singapore/Malaysia	Ordinary S$1,000,000	100	Provision of bunker refueling services
Sino Ocean Development Limited	BVI/Hong Kong	Ordinary US$1	100	Provision of oil transportation services
Sino Venus Pte. Ltd.	Singapore	Ordinary S$1,000,000	100	Provision of oil transportation services
Titan Chios Pte. Ltd.	Singapore/Malaysia	Ordinary S$2	100	Provision of floating storage services
Titan Leo Pte. Ltd.	Singapore	Ordinary S$1,000,000	100	Provision of oil transportation services
Titan Libra Pte. Ltd.	Singapore/Malaysia	Ordinary S$1,000,000	100	Provision of floating storage services
Estonia Capital Ltd.	BVI/Singapore	Ordinary US$1	100	Provision of oil transportation services
Titan Gemini Pte. Ltd.	Singapore/Malaysia	Ordinary S$1,000,000	100	Provision of floating storage services
Titan Aries Pte. Ltd.	Singapore	Ordinary S$1,000,000	100	Provision of oil transportation services
Titan Neptune Shipping Pte. Ltd.	Singapore	Ordinary S$1,000,000	100	Provision of floating storage services

18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)				
Titan Pisces Pte. Ltd.	Singapore	Ordinary S$1,000,000	100	Provision of oil transportation services
Titan Mercury Shipping Pte. Ltd.	Singapore	Ordinary S$1,000,000	100	Provision of oil transportation services
Wendelstar International Ltd.	BVI/Singapore	Ordinary US$1	100	Provision of oil transportation services
Titan Ocean Pte. Ltd.	Singapore	Ordinary S$100,000	100	Provision of ship management and agency services
Titan Mars Limited	BVI/Malaysia	Ordinary US$1,000	100	Provision of floating storage services
Titan Storage Limited	BVI/Malaysia	Ordinary US$1,000	100	Provision of floating storage services
Titan Mercury Limited	BVI/Singapore	Ordinary US$1,000	100	Provision of oil transportation services
Titan Virgo Pte. Ltd.	Singapore	Ordinary S$1,000,000	100	Provision of oil transportation services
Titan Solar Pte. Ltd.	Singapore/Malaysia	Ordinary S$2	100	Provision of floating storage services
Roswell Pacific Ltd.	BVI/Malaysia	Ordinary US$1	100	Provision of floating storage services

18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)				
Wynham Pacific Ltd.	BVI/Malaysia	Ordinary US$1	100	Provision of floating storage services
Sewell Global Ltd.	BVI/Malaysia	Ordinary US$1	100	Provision of floating storage services
Brookfield Pacific Ltd.	BVI/Malaysia	Ordinary US$1	100	Provision of oil transportation services
Titus International Ltd.	BVI/Malaysia	Ordinary US$1	100	Provision of oil transportation services
Titan Orient Lines Pte. Ltd.	Singapore	Ordinary S$2	100	Investment holding
Neptune Associated Shipping Pte. Ltd.	Singapore/ South-East Asia	Ordinary S$60,000,000	100	Owning and chartering of vessels
Far East Bunkering Services Pte. Ltd.	Singapore	Ordinary S$1,000,000	100	Owning and chartering of bunker barges
NAS Management Pte. Ltd.	Singapore	Ordinary S$500,000	100	Provision of ship management services
泰山企業管理諮詢(上海)有限公司*#	Mainland China	US$1,000,000	100	Provision of consultancy services
廣州華南石化交易中心有限公司(「交易中心」)*@	Mainland China	RMB60,000,000	70	Provision of services
石獅市益泰潤滑油脂貿易有限責任公司(「益泰」)*@	Mainland China	RMB28,000,000	100	Investment holding

18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)				
Titan Petrochemicals (Fujian) Ltd.*#	Mainland China	US$30,000,000	100	Investment holding
嵊泗海鑫石油有限公司(「海鑫」)*@	Mainland China	RMB50,000,000	100	Oil product sale services
Titan TQSL Holding Company Ltd. ("TQSL Holding")	BVI	Ordinary US$10,000	100	Investment holding
Titan Quanzhou Shipyard Co., Ltd. ("QZ Shipyard")*#	Mainland China	RMB600,000,000	100	Ship building
廣州泰山石化有限公司*@	Mainland China	RMB50,000,000	100	Oil product sales services

* The statutory financial statements of these companies were not audited by Ernst & Young, Hong Kong or other member firms of the Ernst & Young global network.
\# Registered as wholly foreign-owned enterprises under PRC law.
^ Registered as Sino-Foreign Joint Venture Enterprise under PRC law.
@ Registered as a limited company under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes:

(a) On 31 January 2007, the Group entered into a purchase agreement to acquire the entire equity interest in 海鑫 at cash consideration of RMB32,385,000 (equivalent to approximately HK$33,386,000) from independent third parties. This acquisition was completed on 31 July 2007.

(b) On 28 March 2007, the Company and Warburg Pincus Private Equity IX, L.P. and Warburg Pincus (Bermuda) Private Equity IX, L.P. (collectively known as "Warburg Pincus") entered into (1) a subscription agreement which resulted in the introduction of Warburg Pincus as an investor in the Group. The Warburg Pincus investment of US$175 million help fund the Group's on-shore storage terminals in China and provide financial flexibility to support the growth of the Group's overall business portfolio. This partnership facilitate the Group's strategy of transforming its business towards an integrated oil logistics model, offering end-to-end transportation, storage, supply and distribution services on a single platform, thereby reducing its previous exposure to the volatile VLCC market.

(1) Through its subscription of Company's shares and warrants comprised of (i) 526,300,000 ordinary shares of the Company at HK$0.521 per share; (ii) 555,000,000 the Company's convertible preferred shares (the "Titan Preferred Shares") at the initial conversion price of HK$0.56 per share; and (iii) the Company's warrants of HK$1 carrying rights to subscribe up to HK$195 million for the Company's ordinary shares at the initial subscription price of HK$0.644 per the Company's ordinary share, subject to adjustments, any time from the first anniversary of the date of the completion of issuance until the expiry of five years from the date they are issued; and

(2) in Titan Group Investment Limited which together with its subsidiaries ("TGIL Group") own the Group's oil storage terminal operations in China through its (i) subscription of US$100 million TGIL preferred shares ("TGIL Preferred Shares") which are convertible into TGIL's ordinary shares and (ii) TGIL warrants of HK$1 carrying rights to subscribe for such number of TGIL's ordinary shares so that its total holding of TGIL's ordinary shares and TGIL Preferred Shares will immediately after such subscription equal to 50.1% of the aggregate number of TGIL's ordinary shares and TGIL Preferred Shares then in issue. TGIL's warrant may only be exercised within 90 business days of each occurrence of a redemption event and only if the redemption right attached to TGIL Preferred Shares is not exercised.

Details of the terms of the Titan Preferred Shares and TGIL Preferred Shares are set out in note 34 to the financial statements.

18. INTERESTS IN SUBSIDIARIES (continued)

Following the above subscriptions on 22 June 2007, TGIL Group ceased to be subsidiaries and became jointly-controlled entities as Warburg Pincus enjoyed substantive participative rights over the actions and business plans of TGIL including, amongst other things, substantive participative rights in relation to share capital, constitution, acquisitions and disposals, formation of joint ventures, borrowings, creation of encumbrances, dividend payments, the appointment of senior management of certain members and the determination of accounting policy of TGIL Group.

(c) On 3 September 2007, the Company entered into a sale and purchase agreement to acquire the 100% equity interest in TQSL Holding, which owns QZ Shipyard, from Titan Oil and two associated companies of a director for a total consideration of US$170,000,000 (equivalent to approximately HK$1,326,000,000), assuming all earn-out arrangement set out in note 35 can be achieved. This acquisition was completed on 24 October 2007. The consideration was satisfied by a cash payment of HK$474,045,000) and by the issue of 1,046,198,808 ordinary shares of the Company.

This acquisition constituted a major and connected party transaction of the Company pursuant to the Listing Rules. Further details in relation to this transaction are set out in the note 35 to the financial statements and in the Company's circular dated 24 September 2007.

Shares of certain subsidiaries held by the Group were pledged against the fixed rate guaranteed senior notes (note 29) and to banks to secure banking facilities (note 26) granted to the Group.

19. INTERESTS IN ASSOCIATES

	Group	
	2007	2006
	HK$'000	HK$'000
Share of net assets	**199,700**	76,283
Goodwill on acquisition	**36,448**	36,391
	236,148	112,674
Due from associates	**27,598**	56,987
	263,746	169,661

The amounts due from associates are unsecured, interest-free, have no fixed terms of repayment and approximate their fair values.

As at 31 December 2007, goodwill is attributable to the Group's 30% and 30% equity interests in GZ Xiaohu (as defined below) and 福建中油油品倉儲有限公司, respectively. The Group has performed impairment tests on the goodwill and the Group's interests in the relevant associates and no impairment is required. The recoverable amounts have been determined based on value in use calculations using cash flow projections based on financial budgets approved by senior management covering the period equivalent to the lease term of the land where the terminal and oil product storage facilities are erected. The discount rate applied to the cash flow projections is 10.5% and the cash flows beyond five-year period are projected by using average growth rate of 7% for terminal facilities revenue and oil product storage revenue.

19. INTERESTS IN ASSOCIATES (continued)

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Business structure	Place of registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
福建中油油品倉儲有限公司	Registered capital RMB46,000,000	Corporate	Mainland China	30	Oil product storage services
福建石獅中油油品銷售有限公司	Registered capital RMB6,000,000	Corporate	Mainland China	30	Oil product sale services
嵊泗縣同盛石油有限公司	Registered capital RMB5,000,000	Corporate	Mainland China	38	Oil product sale services
Yangshan Shen Gang International Oil Logistics Co., Ltd. ("Yangshan Shen Gang")	Registered capital US$36,000,000	Corporate	Mainland China	37	Operation of oil berthing and storage facilities
Guangzhou Xiaohu Petrochemical Terminal Co., Ltd ("GZ Xiaohu")	Registered capital RMB157,500,000	Corporate	Mainland China	30	Terminal facilities services
Onsys Energy Sdn Bhd	MYR6,300,000	Corporate	Malaysia	39	Bunker refueling services

The above associates are not audited by Ernst & Young Hong Kong or other member firms of the Ernst & Young global network.

The following table sets out the summarised financial information in respect of the Group's associates extracted from their management accounts:

	2007 HK$'000	2006 HK$'000
Assets	**1,540,611**	842,112
Liabilities	**(983,934)**	(576,383)
Revenue	**751,516**	4,777
Profit for the year	**11,489**	1,614

20. INTEREST IN JOINTLY-CONTROLLED ENTITIES

As further detailed in note 18 (b)(2) to the financial statements, TGIL Group ceased to be subsidiaries and became jointly-controlled entities upon the completion of the issue of TGIL Preferred Share on 22 June 2007.

Particulars of the jointly-controlled entities are as follows:

Name	Particulars of issued shares held	Place of registration and operations	Ownership interest	Percentage of voting power	Profit sharing@	Principal activities
Titan Group Investment Limited	Ordinary US$400,800 and preferred shares US$399,200	BVI/Hong Kong	50.1	50.1	50.1	Investment holding
Guanghzou Nansha Titan Petrochemical Development Company Limited ("GZ Nansha")*^	US$42,000,000	Mainland China	35.0	35.0	35.0	Provision for oil berthing and storage facilities
Titan WP Storage Ltd.	US$240,800	Bermuda	50.1	50.1	50.1	Investment holding
Titan Group Yangshan Investment Limited	US$40	BVI	50.1	50.1	50.1	Investment holding
Sky Sharp Investments Limited ("Sky Sharp")	US$16,000	BVI/Hong Kong	50.1	50.1	50.1	Investment holding
Forever Fortune Holdings Limited ("Forever Fortune")	Ordinary HK$10,000 and non-voting deferred shares HK$10,000	Hong Kong	50.1	50.1	50.1	Investment holding
Fujian Titan Petrochemical Storage Development Co., Ltd. ("Fujian Titan")*#	US$40,000,000	Mainland China	50.1	50.1	50.1	Provision for oil berthing and storage facilities
Quanzhou Titan Petrochemical Terminal Development Co., Ltd. ("Quanzhou Titan")*#	US$10,000,000	Mainland China	50.1	50.1	50.1	Provision for oil berthing and storage facilities

All of the above investments in the jointly-controlled entities are indirectly held by the Company.

20. INTEREST IN JOINTLY-CONTROLLED ENTITIES (continued)

* Not audited by Ernst & Young, Hong Kong or other member firms of the Ernst & Young global network.

^ Registered as a Sino-Foreign Joint Venture Enterprise under PRC law.

Registered as a wholly foreign-owned enterprise under PRC law.

@ Pursuant to the liquidation preference of TGIL Preferred Shares detailed in note 34 (b) to the financial statements, 100% of accumulated loss incurred by TGIL Group will be borne by the Group.

The following table sets out the summarised financial information in respect of the Group's jointly-controlled entities:

	2007 HK$'000	2006 HK$'000
Share of jointly-controlled entities' assets and liabilities:		
Non-current assets	1,907,556	—
Current assets	891,022	—
Non-current liabilities	(1,127,804)	—
Current liabilities	(303,118)	—
Net assets	1,367,656	—
Share of jointly-controlled entities' results:		
Revenue	17,269	—
Cost of sales	(14,475)	—
Gross profit	2,794	—
Other revenue	20,762	—
Expenses	(50,187)	—
Share of results of associates	1,651	—
Loss before tax	(24,980)	—
Tax	(181)	—
Loss after tax	(25,161)	—

21. DEPOSIT HELD IN A COLLATERAL ACCOUNT

At 31 December 2007, the balance represents a deposit held in a collateral account in respect of an interest rate swap agreement with a financial institution. The carrying amount of the deposit held in the collateral account approximates its fair value. Further details of the swap agreement are set out in notes 24 and 29 to the financial statements.

22. ACCOUNTS RECEIVABLE

	Group	
	2007	2006
	HK$'000	HK$'000
Accounts receivable	**1,175,254**	1,255,464
Impairment	**(16,827)**	(4,812)
	1,158,427	1,250,652

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 is no significant concentration of credit risk. Accounts receivable are non-interest-bearing.

An aged analysis of accounts receivable as at the balance sheet date, based on the date of recognition of the sale and net of provisions, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
1 to 3 months	**1,097,385**	1,190,255
4 to 6 months	**17,223**	30,381
7 to 12 months	**36,930**	22,641
Over 12 months	**6,889**	7,375
	1,158,427	1,250,652

22. ACCOUNTS RECEIVABLE (continued)

The movements in provision for impairment of accounts receivable is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**4,812**	4,531
Impairment losses recognised (note 6)	**13,707**	17,264
Amounts written off as uncollectible	**(1,692)**	(16,983)
	16,827	4,812

Included in the above balance is a provision for doubtful accounts for customers with aggregate balances of HK$23,716,000 (2006: HK$12,187,000). The net accounts receivables in respect of these customers after impairment was HK$6,889,000 (2006: HK$7,375,000). These accounts relate to customers in default and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the accounts receivable that are not considered to be doubtful is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Neither past due nor impaired	**1,097,385**	1,190,255
Less than 3 month past due	**17,223**	30,382
More than 3 months past due	**43,819**	30,015
	1,158,427	1,250,652

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there has been no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

23. CONTRACTS IN PROGRESS/EXCESS OF PROGRESS BILLINGS OVER CONTRACT COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Contracts in progress		
Direct costs incurred plus recognised profits less recognised losses to date	**205,587**	20,296
Excess of progress billings over contract costs		
Direct costs incurred plus recognised profits less recognised losses to date	**59,200**	19,672
Less: Progress billings	**(81,033)**	(31,162)
	(21,833)	(11,490)

24. DERIVATIVE FINANCIAL INSTRUMENTS

Group

	Assets		Liabilities	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Derivative financial instruments for hedging purposes:				
Foreign exchange futures	**—**	—	**11,144**	—
Oil price swap contracts	**258,095**	119,625	**379,372**	42,595
Forward sale and purchase contracts	**—**	20,380	**12,199**	6,074
Derivative financial instruments held as cash flow hedge:				
Interest rate swap agreement	**—**	8,434	**5,812**	—
	258,095	148,439	**408,527**	48,669

24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Company

	Assets		Liabilities	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Derivative financial instruments held as cash flow hedge:				
Interest rate swap agreement	**—**	8,434	**5,812**	—

The carrying amounts of the derivative financial instruments are the same as their fair values.

In addition, the Group had entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. Changes in the fair values of non-hedging currency derivatives amounting to HK$11,144,000 were charged to the consolidated income statement during the year (2006: Nil).

At 31 December 2007, US$1,816,000 (approximately HK$14,166,000) (2006: US$1,250,000 (approximately HK$9,750,000)) (note 21) was on deposit in a collateral account held with a financial institution in respect of an interest rate swap agreement.

Interest rate swap agreement — cash flow hedge

In the prior year, a restructured interest rate swap agreement was entered by the Group whereby the Group receives interest at LIBOR and pays interest at a fixed rate of 4.55% on the notional amounts ranging from US$1,500,000 to US$154,095,000 for period from 27 July 2007 to 18 September 2012.

The swap is used to hedge the exposure to variability in cash flows that is attributable to the Group's future expected loan requirements which are highly probable. The expected loan requirements and the interest rate swap agreement have the same critical terms and the hedge of the interest rate swap has been assessed to be highly effective. The decrease in fair value of this cash flow hedge during the year ended 31 December 2007 of HK$14,246,000 (2006: increase of HK$36,555,000) has been included in the hedging reserve.

In addition, the Group entered into a forward freight rate agreement in 2006 with a financial institution and various oil price swap contracts during the current and prior year with certain counterparties to hedge against fluctuations in freight rates and oil prices. The forward freight rate agreement was terminated in 2006 and the increase in fair values of this non-hedging derivatives amounting to HK$75,213,000 have been charged to the consolidated income statement in that year.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**698,158**	124,792	**6,228**	4,627
Time deposits	**1,412,646**	248,400	**292,630**	—
	2,110,804	373,192	**298,858**	4,627
Less: Amounts pledged for trading facilities (note 26(iii)):				
Bank balances	**(3,934)**	(12,141)	**—**	—
Time deposits	**(560,414)**	(60,503)	**—**	—
Time deposits with original maturity of more than three months	**(32,836)**	—	**—**	—
	(597,184)	(72,644)	**—**	—
Cash and cash equivalents	**1,513,620**	300,548	**298,858**	4,627

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$874,287,000 (2006: HK$17,511,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the market short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent default history. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate their fair values.

26. INTEREST-BEARING BANK AND OTHER LOANS

Group	2007 Effective interest rate (%)	2007 Maturity	2007 HK$'000	2006 Effective interest rate (%)	2006 Maturity	2006 HK$'000
Current						
Trust receipt loans, secured	**5.97–6.75**	**2008**	**872,165**	6.60-6.85	2007	320,854
Bank loans — secured	**5.10–8.93**	**2008**	**835,154**	6.81-7.37	2007	302,045
Bank loans — unsecured	**6.08–8.11**	**2008**	**91,298**	5.58	2007	20,000
			1,798,617			642,899
Non-current						
Bank loans — unsecured	**6.08**	**2009–2010**	**39,894**	8.08	2008-2012	78,000
Bank loans — secured	**6.12–7.83**	**2009–2015**	**1,221,315**	6.12-7.37	2008-2015	1,124,464
			1,261,209			1,202,464
			3,059,826			1,845,363

	Group 2007 HK$'000	Group 2006 HK$'000
Trust receipt loans, secured	**872,165**	320,854
Bank loans repayable:		
Within one year	**926,452**	322,045
In the second year	**260,888**	246,882
In the third to fifth years, inclusive	**520,424**	562,482
Beyond five years	**479,897**	393,100
	2,187,661	1,524,509
	3,059,826	1,845,363

26. INTEREST-BEARING BANK AND OTHER LOANS (continued)

Certain of the Group's bank loans are secured by:

(i) the Group's vessels with a carrying value of HK$1,625,759,000 (2006: HK$2,560,454,000);

(ii) the Group's construction in progress with a carrying value of HK$151,078,000 (2006: HK$166,402,000);

(iii) the Group's bank balances and deposits of HK$597,184,000 (2006: HK$72,644,000);

(iv) the Group's deposit held in a collateral account of HK$14,166,000 (2006: HK$9,750,000);

(v) the Group's land/seabed use rights of HK$371,965,000 (2006: HK$269,477,000);

(vi) the Group's oil storage facilities with a carrying value of HK$489,509,000 (2006: HK$159,145,000);

(vii) the Group's inventories with a carrying value of HK$872,165,000 (2006: HK$320,854,000);

(viii) shares of certain subsidiaries;

(ix) corporate guarantees executed by the Company;

(x) a personal guarantee executed by a director of the Company; and

(xi) a corporate guarantee executed by a related company which is a subsidiary of Titan Oil (note 40(a)(iii)).

The carrying amounts of the Group's current and floating rate loans approximate their fair values. The carrying amounts and fair values of the Group's non-current and fixed rate loans are as follows:

	Carrying amounts		Fair value	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans — secured	**924,032**	551,000	**866,795**	496,932
Bank loans — unsecured	**39,894**	—	**37,305**	—
	963,926	551,000	**904,100**	496,932

The fair values of the bank loans of the Group are estimated by discounting the expected future cash flows at prevailing interest rates.

27. ACCOUNTS AND BILLS PAYABLE/OTHER PAYABLES AND ACCRUALS

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

An aged analysis of the accounts and bills payable as at the balance sheet date, based on the date of receipt of goods purchased, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
1 to 3 months	**870,357**	899,396
4 to 6 months	**15,561**	8,254
7 to 12 months	**19,428**	3,464
Over 12 months	**7,807**	1,520
	913,153	912,634
Other payables and accruals	**868,726**	629,469
	1,781,879	1,542,103

Accounts and bills payable are non-interest-bearing and are normally settled on terms of 30 to 90 days. Other payables and accruals are non-interest-bearing and have an average term of three months.

28. FINANCE LEASE PAYABLES

The Group leased a vessel for its oil transportation business in 2006 and motor vehicles for administrative purposes in both the current and prior years. These leases are classified as finance leases and have remaining lease terms ranging from one to three years.

At 31 December 2007, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
Group	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Amounts payable:				
Within one year	**482**	42,890	**424**	26,352
In the second year	**436**	42,868	**403**	29,943
In the third to fifth years, inclusive	**327**	93,084	**319**	82,062
Total minimum finance lease payments	**1,245**	178,842	**1,146**	138,357
Future finance charges	**(99)**	(40,485)		
Total net finance lease payables	**1,146**	138,357		
Portion classified as current liabilities	**(424)**	(26,352)		
Non-current portion	**722**	112,005		

At 31 December 2007, the effective interest rate of the finance lease payables was 6.69% (2006: 13.88%) per annum.

29. FIXED RATE GUARANTEED SENIOR NOTES

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 Notes (the "Subsidiary Guarantors"), and Deutsche Bank Trust Company Americas, as the trustee, the Company issued the Notes in the aggregate principal amount of US$400 million (equivalent to approximately HK$3,120 million) (the "Notes") with directly attributable transaction costs of HK$90,709,000. The Notes are due on 18 March 2012 with a lump sum repayment, unless redeemed earlier pursuant to specified terms. The Notes bear interest at the rate of 8.5% per annum, payable semi-annually in arrears on 18 March and 18 September of each year, commencing on 18 September 2005, and are listed on the Singapore Exchange Securities Trading Limited. Proceeds from the Notes was utilised partially for purchases of vessels, further investments in oil storage facilities in Mainland China, repayment of bank loans and working capital for the Group.

The obligations of the Company under the Notes 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. Also, further details of the principal terms of the Notes are set out in the announcement.

In connection with the Notes, the Group entered into an interest rate swap agreement with a financial institution under which the Group receives interest payments semi-annually at a fixed rate of 8.5% per annum on a notional amount of US$400 million during the period from 18 September 2005 to 18 March 2012, and makes interest payments semi-annually at fixed rates of 5% per annum and 9.575% per annum during the periods from 18 March 2005 to 18 September 2006 and from 18 September 2006 to 18 March 2012, respectively. At 31 December 2005, this interest rate swap agreement with the financial institution represented an additional loan of HK$53,967,000 granted to the Group which bears interest at an effective interest rate of 8.03% per annum and is included in interest-bearing bank and other loans in the balance sheet.

On 27 July 2006, a restructured interest rate swap was entered by the Group with the same financial institution and the above interest rate swap agreement was revised and the additional loan amount was fully settled. Details of the restructured interest rate swap are set out in note 24 to the financial statements.

At 31 December 2007, the effective interest rate on the Notes was 9.27% (2006: 9.27%) per annum and the fair value of the Notes was HK$2,745,600,000 (2006: HK$2,737,800,000).

30. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

Group	Accelerated capital allowances HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Total HK$'000
At 1 January 2006	7,492	—	7,492
Arising on acquisition of subsidiaries (note 35)	—	54,431	54,431
Deferred tax credited to the consolidated income statement during the year (note 10)	(3,173)	—	(3,173)
At 31 December 2006 and 1 January 2007	4,319	54,431	58,750
Arising on acquisition of subsidiaries (note 35)	—	112,180	112,180
Deferred tax credited to equity during the year	—	(13,195)	(13,195)
Deferred tax credited to the consolidated income statement during the year (note 10)	(4,360)	—	(4,360)
Exchange realignment	211	—	211
Gross deferred tax liabilities recognised in the consolidated balance sheet at 31 December 2007	170	153,416	153,586

At 31 December 2007, there were no significant unrecognised deferred tax liabilities (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or jointly-controlled entities as the Group had no liabilities for additional taxes should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. SHARE CAPITAL

Shares

	2007 HK$'000	2006 HK$'000
Authorised:		
9,445,000,000 ordinary shares of HK$0.01 each (a)	**94,450**	100,000
555,000,000 convertible preferred shares of HK$0.01 each (a)	**5,550**	—
Issued and fully paid:		
6,473,639,010 (2006: 4,864,900,202) ordinary shares of HK$0.01 each	**64,737**	48,649

A summary of the movements in the issued capital of the Company is as follows:

	Number of shares in issue	Issued share capital HK$'000
At 1 January 2006	4,846,240,202	48,462
Exercise of share options during the year	18,660,000	187
At 31 December 2006 and 1 January 2007	4,864,900,202	48,649
Exercise of share options during the year	36,240,000	363
Issue of shares (b), (c)	1,572,498,808	15,725
	6,473,639,010	64,737

Notes:

(a) On 18 June 2007, the existing authorised share capital of the Company of 10,000,000,000 ordinary shares was revised to 9,445,000,000 ordinary shares of HK$0.01 each and 555,000,000 convertible preferred shares of HK$0.01 each.

(b) As further detailed in note 18(b) to the financial statements, 526,300,000 ordinary shares of the Company at HK$0.521 per share were issued to Warburg Pincus.

(c) As further detailed in note 18(c) to the financial statements, the acquisition of TQSL Holding was completed on 24 October 2007. Part of the consideration was satisfied by the allotment and issue of 1,046,198,808 new ordinary shares at the fair value of HK$0.61 per share.

Share option scheme

Details of the Company's share option scheme and the movements in share options issued by the Company are included in note 32 to the financial statements.

32. SHARE OPTION SCHEME

A summary of the share option scheme of the Company (the "Scheme") is set out below.

Purpose	To provide incentives and rewards to eligible participants who contribute to the success of the operations of the Group.
Participants	(i) Full time employees and directors of the Company and its subsidiaries; and (ii) Any suppliers, consultants, agents and advisors of the Group.
Total number of ordinary shares available for issue and the percentage of the issued shares of the Company that it represents as at the date of approval of the financial statements	8,924,020 ordinary shares, representing 0.14% of the issued shares of the Company at the date of approval of the financial statements.
Maximum entitlement of each participant	The maximum number of shares issuable under share options to each eligible participant within any 12-month period, including exercised and outstanding options, is limited to 1% of the shares of the Company in issue at any time.
Period within which the ordinary shares must be taken up under an option	No option will be exercisable later than 10 years after the Scheme has been adopted by the shareholders of the Company.
Minimum period for which an option must be held before it can be exercised	None
Amount payable on acceptance	HK$1.00

32. SHARE OPTION SCHEME (continued)

Period within which payments/calls/loans must be made/repaid	Not applicable
Basis of determining the exercise price	Determined by the board of directors at their discretion based on the higher of: (i) the closing price of the ordinary shares on the Stock Exchange at the date of the offer; (ii) the average closing price of the ordinary shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of the offer; or (iii) the nominal value of the ordinary shares of the Company.
Remaining life of the Scheme	The Scheme remains in force until 31 May 2012.

The following share options under the Scheme were outstanding at the balance sheet date:

	Number of share options							
Name or category of participant	At 1 January 2007	Granted during the year	Lapsed during the year	Exercised during the year	At 31 December 2007	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$
Directors								
Mr. Barry Cheung Chun Yuen	10,000,000	—	—	—	10,000,000	21 September 2005	9 July 2006 to 8 July 2008	0.68
	10,000,000	—	—	—	10,000,000	21 September 2005	21 September 2007 to 20 September 2009	0.68
Mr. Ib Fruergaard	2,500,000	—	(2,500,000)	—	—	20 February 2006	20 February 2007 to 19 February 2012	0.72
	2,500,000	—	(2,500,000)	—	—	20 February 2006	20 February 2008 to 19 February 2013	0.72
	25,000,000	—	(5,000,000)	—	20,000,000			
Other employees								
In aggregate	121,340,000	—	(10,200,000)	(32,400,000)	78,740,000	25 June 2004	25 June 2006 to 25 June 2008	0.45
	22,600,000	—	(3,910,000)	(640,000)	18,050,000	20 February 2006	20 February 2007 to 19 February 2012	0.72
	22,600,000	—	(4,550,000)	—	18,050,000	20 February 2006	20 February 2008 to 19 February 2013	0.72
	—	1,250,000	—	—	1,250,000	24 April 2007	24 April 2008 to 23 April 2013	0.70
	—	1,250,000	—	—	1,250,000	24 April 2007	24 April 2009 to 23 April 2014	0.70
	166,540,000	2,500,000	(18,660,000)	(33,040,000)	117,340,000			

32. SHARE OPTION SCHEME (continued)

Name or category of participant	Number of share options: At 1 January 2007	Granted during the year	Lapsed during the year	Exercised during the year	At 31 December 2007	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$
Others								
In aggregate	32,800,000	—	—	(3,200,000)	29,600,000	25 June 2004	25 June 2006 to 25 June 2008	0.45
	32,800,000	—	—	(3,200,000)	29,600,000			
	224,340,000	2,500,000	(23,660,000)	(36,240,000)	166,940,000			

* Options granted on 25 June 2004 were vested to grantees immediately on the date of grant. The closing price of the Company's shares was HK$0.43 on 24 June 2004.

Options granted on 21 September 2005 were vested to the grantees in two tranches. 50% of such options were vested on 9 July 2006 with an exercise period from 9 July 2006 to 8 July 2008 and the remaining 50% were vested on 21 September 2007 with an exercise period from 21 September 2007 to 20 September 2009. The closing price of the Company's shares was HK$0.68 on 20 September 2005.

Options granted on 20 February 2006 were also vested to grantees in two tranches. 50% of such options were vested on 20 February 2007 with an exercise period from 20 February 2007 to 19 February 2012 and the remaining 50% will be vested on 20 February 2008 with an exercise period from 20 February 2008 to 19 February 2013. The closing price of the Company's shares was HK$0.72 on 17 February 2006.

Options granted on 24 April 2007 are also vested to grantees in two tranches. 50% of such options will be vested on 24 April 2008 with an exercise period from 24 April 2008 to 23 April 2013 and the remaining 50% will be vested on 24 April 2009 with an exercise period from 24 April 2009 to 23 April 2014. The closing price of the Company's shares was HK$0.70 on 23 April 2007.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the share capital of the Company.

The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$0.73.

The fair value of the share options granted during the year was assessed to be HK$585,200.

The fair value of the equity-settled share options granted during the year was estimated as at the date of grant using the Binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the input to the model used for the year ended 31 December:

	2007	2006
Dividend yield (%)	**1.32**	1.50
Expected volatility (%)	**43.64**	40.21
Risk-free interest rate (%)	**4.08**	4.19
Suboptimal exercise factor	**1.50**	1.50
Closing share price at the date of grant (HK$)	**0.70**	0.71
Exercise price (HK$)	**0.70**	0.72

The suboptimal exercise factor is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

32. SHARE OPTION SCHEME (continued)

No other feature of the options granted was incorporated into the measurement of fair value.

At the balance sheet date, the Company had outstanding share options for the subscription of 166,940,000 ordinary shares under the Scheme. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 166,940,000 additional ordinary shares of the Company and additional share capital of HK$1,669,400 and share premium of HK$88,425,600 (before issue expenses).

33. RESERVES

(a) Group

	Notes	Share premium account HK$'000	Contributed surplus* HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Asset revaluation reserve# HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2006		996,391	18,261	797	(28,121)	—	2,547	791,683	1,781,558
Equity-settled share option arrangements		—	—	8,830	—	—	—	—	8,830
Exchange realignment		—	—	—	—	—	20,568	—	20,568
Changes in fair values on cash flow hedges	24	—	—	—	36,555	—	—	—	36,555
Exercise of share options		8,211	—	—	—	—	—	—	8,211
Acquisition of subsidiaries	35	—	—	—	—	44,204	—	—	44,204
Profit for the year		—	—	—	—	—	—	100,333	100,333
At 31 December 2006 and 1 January 2007		1,004,602	18,261	9,627	8,434	44,204	23,115	892,016	2,000,259
Issue of ordinary shares		896,658	—	—	—	—	—	—	896,658
Share issue expenses	34	(28,871)	—	—	—	—	—	—	(28,871)
Equity-settled share option arrangements		—	—	3,374	—	—	—	—	3,374
Release from share option reserve upon exercise of share options		143	—	(143)	—	—	—	—	—
Exchange realignment		—	—	—	—	—	54,206	—	54,206
Changes in fair values on cash flow hedges	24	—	—	—	(14,246)	—	—	—	(14,246)
Exercise of share options		16,118	—	—	—	—	—	—	16,118
Transfer to retained profits upon lapse of share options after vesting period		—	—	(1,393)	—	—	—	1,393	—
Deferred tax credit to equity		—	—	—	—	13,195	—	—	13,195
Loss for the year		—	—	—	—	—	—	(29,104)	(29,104)
At 31 December 2007		1,888,650	18,261	11,465	(5,812)	57,399	77,321	864,305	2,911,589

33. RESERVES (continued)

(a) Group (continued)

* The contributed surplus of the Group arose as a result of the Group reorganisation carried out on 18 May 1998 and represents the difference between the nominal value of the shares of the subsidiaries acquired, pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

\# The asset revaluation reserve of the Group, after deduction of deferred tax liabilities, arose as a result of the restatement to fair value of certain prepaid land/seabed lease payments at the date of acquisition of further interests in associates which became subsidiaries in prior years.

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2006		996,391	60,916	797	(28,121)	6,156	1,036,139
Equity-settled share option arrangements		—	—	8,830	—	—	8,830
Changes in fair values on cash flow hedges	24	—	—	—	36,555	—	36,555
Exercise of share options		8,211	—	—	—	—	8,211
Profit for the year	11	—	—	—	—	43,061	43,061
At 31 December 2006 and 1 January 2007		1,004,602	60,916	9,627	8,434	49,217	1,132,796
Issue of ordinary shares		896,658	—	—	—	—	896,658
Share issue expenses	34	(28,871)	—	—	—	—	(28,871)
Equity-settled share option arrangements		—	—	3,374	—	—	3,374
Release from share option reserve upon exercise of share options		143	—	(143)	—	—	—
Transfer to retained profits upon lapse of share options after vesting period		—	—	(1,393)	—	1,393	—
Changes in fair values on cash flow hedges	24	—	—	—	(14,246)	—	(14,246)
Exercise of share options		16,118	—	—	—	—	16,118
Loss for the year	11	—	—	—	—	(14,727)	(14,727)
At 31 December 2007		1,888,650	60,916	11,465	(5,812)	35,883	1,991,102

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired, pursuant to the same Group reorganisation referred to above, over the nominal value of the Company's shares issued in exchange therefor. Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be lapsed.

34. CONVERTIBLE PREFERRED SHARES

	Group 2007 Equity portion HK$'000	Group 2007 Liability portion HK$'000	Company 2007 Equity portion HK$'000	Company 2007 Liability portion HK$'000
(a) Titan Preferred Shares				
Issued and fully paid	81,637	229,163	81,637	229,163
Less: Issuance expense	(6,078)	(17,020)	(6,078)	(17,020)
Add: Dividend on convertible preferred shares (classified as financial liabilities) (note 7)	—	14,736	—	14,736
At 31 December 2007	75,559	226,879	75,559	226,879
(b) TGIL Preferred Shares				
Issued and fully paid	521,700	258,300	—	—
Less: Issuance expense	(3,863)	(1,913)	—	—
Add: Dividend on convertible preferred shares (classified as financial liabilities) (note 7)	—	18,356	—	—
At 31 December 2007	517,837	274,743	—	—

34. CONVERTIBLE PREFERRED SHARES (continued)

(a) As further detailed in note 18(b)(1) to the financial statements, the Company issued 555,000,000 Titan Preferred Shares at the stated value of HK$0.56 per share. The terms of Titan Preferred Shares are as follows:

(i) Titan Preferred Shares rank in priority to any distribution in respect of any other class of shares to a fixed cummulative preferential dividend at a rate of 4.70% per annum on the initial subscription price of each Titan Preferred Share. Titan Preferred Shares do not confer any further rights to its holder to participate in the profits of the Group. On a distribution of assets or return of capital on liquidation of the Company or otherwise, a holder of the Titan Preferred Shares is entitled to receive an amount in preference to holders of the Company's ordinary shares equal to the greater of (a) the sum of the amount equal to the issue price of the Titan Preferred Shares and any accrued and unpaid dividends; or (b) the aggregate market price of the number of the Company's ordinary shares into which the Titan Preferred Shares can be converted, if they were converted on the date of the distribution of the assets of the Company, together with any accrued and unpaid dividends. Also, Titan Preferred Shares do not carry any voting rights in general meetings of the Company.

(ii) The holders of Titan Preferred Shares are entitled to convert their Titan Preferred Shares into ordinary shares of the Company at the initial conversion price of HK$0.56 per share, subject to adjustments, any time from the first anniversary of the date of completion of the issue (or such earlier date as may be approved by the board of directors of the Company) to the day prior to the date of redemption of Titan Preferred Shares.

(iii) Titan Preferred Shares are redeemable (1) at any time on or after the fifth anniversary of the date of issue at a price equal to 100% of their initial subscription price (if redeemed at the election of the holders) or 175% of their initial subscription price (if redeemed at the election of the Company) in each case together with any accrued and unpaid dividends; or (2) on the occurrence of a redemption event and at the election of the holders of the Titan Preferred Shares at a price equal to the higher of 175% of their initial subscription price or the aggregate market price of the number of the Company's shares into which those Titan Preferred Shares being redeemed can be converted, if they were converted on the date of the notice of redemption, together with any accrued and unpaid dividends provided that this redemption right cannot be exercised so long as any of the Notes remains outstanding except in the case of change of control redemption event, but only if a change of control triggering event (as defined in the Notes) has occurred and the Company has complied with its obligations under the Notes in respect of such an event.

34. CONVERTIBLE PREFERRED SHARES (continued)

(a)(iii) The redemption events (the "Redemption Events") included

(i) Titan Oil ceasing directly or indirectly through its subsidiaries or nominees to own 35% or more of the Company's ordinary shares;*

(ii) Titan Oil ceasing directly or indirectly through its subsidiaries or nominees to be the single largest shareholder of the Company (other than in circumstances where Warburg Pincus or its associates (as that term is defined in the Listing Rules) is or are together such single largest shareholder);*

(iii) the chairman of the Company, Mr. Tsoi Tin Chun, ceasing to be a controlling shareholder of Titan Oil (other than as a result of a temporary reduction of shareholding to facilitate a vendor top up placing by the Company);*

(iv) the Company ceasing directly or indirectly through its subsidiaries or nominees to be the single largest shareholder of TGIL (other than as a result of the exercise of the TGIL's warrant);

(v) the occurrence of specified events which are related to the insolvency of the Company or the initiation of insolvency or liquidation proceedings by or against the Company or events of default under the Notes occurring); and an equity instrument (the conversion right, i.e. the holder's right to call for shares of the issuer).

* Since those redemption events were related to the change of significant shareholding of the substantial shareholder in the Company, the substantial shareholder (Titan Oil and Mr Tsoi) of the Company has signed a deed of undertaking pursuant to which the substantial shareholder (Titan Oil and Mr Tsoi) has undertaken to indemnify the Company in respect of any loss to the Company (as defined in the deed of undertaking) arising from the exercise of the redemption right of the holders of the Titan Preferred Shares on the occurrence of the Redemption Events.

(iv) The holder of Titan Preferred Shares has certain protective veto rights over certain decisions of the Group.

(b) As further detailed in note 18(b)(2) to the financial statements, TGIL issued US$100 million TGIL Preferred Shares. The terms of TGIL Preferred Shares are as follows:

(i) TGIL Preferred Shares (apart from the special dividends that may become payable) rank in priority to any distribution in respect of any other class of shares for a fixed cumulative preferential dividend at a rate of 5.0% per annum on the initial subscription price of each TGIL Preferred Share. They also (until TGIL obtains a separate listing) participate in the ordinary dividends of TGIL on an as-converted basis.

On a distribution of assets or return of capital on liquidation of TGIL or otherwise, a holder of TGIL Preferred Shares is entitled to receive an amount equal to the greater of (1) the sum of the amount equal to the issue price of TGIL Preferred Shares and any accrued and unpaid dividends; or (2) the then aggregate market value (to be determined by an independent investment bank) of the number of the ordinary share of TGIL into which TGIL Preferred Shares can be converted, as if they were converted on the date of the distribution of the assets of TGIL (subject to a cap of HK$2,730 million) together with any accrued and unpaid dividends.

34. CONVERTIBLE PREFERRED SHARES (continued)

(b)(i) TGIL Preferred Shares carry voting rights in general meetings of TGIL on an as converted basis.

(ii) The holders of TGIL Preferred Shares are entitled to convert TGIL Preferred Shares into TGIL's ordinary shares initially on a one-for-one basis at the initial conversion price (which will be the number that equals the aggregate subscription price of TGIL Preferred Shares divided by the number of TGIL Preferred Shares in issue immediately upon completion of issue), subject to adjustments, any time from the first anniversary of the date of completion of issue (unless the board of directors of the Company resolves to permit earlier conversion) until they are redeemed.

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

* Since those redemption events set out in note(34)(a)(iii) to the financial statements were related to the change of significant shareholding of the substantial shareholder in the Company, the substantial shareholder (Titan Oil and Mr Tsoi) of the Company has signed a deed of undertaking pursuant to which the substantial shareholder (Titan Oil and Mr Tsoi) has undertaken to indemnify TGIL in respect of any loss to TGIL (as defined in the deed of undertaking) arising from the exercise of the redemption right of the holders of the TGIL Preferred Shares on the occurrence of the Redemption Events.

The fair value of the liability portion of Titan Preferred Shares and TGIL Preferred Shares were estimated at the issuance date. The residual amount of Titan Preferred Shares of HK$75,559,000 and TGIL Preferred Shares of HK$517,837,000, are assigned as the equity portion and are included in shareholders' equity of the Company and contingently redeemable equity in a jointly-controlled entity, respectively.

35. BUSINESS COMBINATIONS

As further detailed in note 18(c) to the financial statements, during the year, the Group acquired the 100% equity interest in TQSL Holding and, in turn, its subsidiary, QZ Shipyard, (the "Shipyard Group") from Titan Oil and two associated companies of a director. Also, the Group acquired the 100% equity interest in 海鑫 from independent third parties.

35. BUSINESS COMBINATIONS (continued)

The fair values of the identifiable assets and liabilities of the Shipyard Group and 海鑫 are analysed as follows:

		Fair value recognised on acquisition			
		2007			2006
	Notes	Shipyard Group HK$'000	海鑫 HK$'000	Total HK$'000	Total HK$'000
Net assets acquired:					
Property, plant and equipment	13	411,830	—	411,830	180,843
Prepaid land/seabed lease payments	15	532,192	—	532,192	208,089
Interests in associates		—	28,778	28,778	51,489
Inventories		31,345	—	31,345	—
Contracts in progress		182,615	—	182,615	—
Prepayments, deposits and other receivables		335,053	4	335,057	73,560
Cash and cash equivalents		72,138	5	72,143	64,930
Other payables and accruals		(497,930)	(11,969)	(509,899)	(2,364)
Amounts due to group companies		(139,531)	—	(139,531)	(116,039)
Bank loans		(221,649)	—	(221,649)	(144,231)
Deferred tax liabilities	30	(112,180)	—	(112,180)	(54,431)
Minority interest		—	—	—	12,689
		593,883	16,818	610,701	274,535
Goodwill on acquisition	17	518,343	16,568	534,911	245,298
		1,112,226	33,386	1,145,612	519,833
Reclassification from interests in associates		—	—	—	(223,726)
Total net assets acquired		1,112,226	33,386	1,145,612	296,107
Satisfied by:					
Cash		474,045	33,386	507,431	296,107
Fair value of ordinary shares issued		638,181	—	638,181	—
Total purchase consideration		1,112,226	33,386	1,145,612	296,107

35. BUSINESS COMBINATIONS (continued)

The fair values of the identifiable assets and liabilities of the Shipyard Group and 海鑫 in the current year and of Sky Sharp Group and 益泰 acquired in the prior year, as at the dates of acquisition, do not differ materially from their respective carrying amounts except the balance of the prepaid land/seabed lease payments and plant and machinery of the Shipyard Group with fair value approximately HK$944,022,000 and Sky Sharp Group was approximately HK$43,147,000 and the respective deferred tax liabilities were approximately HK$112,180,000 and HK$54,431,000 immediately before the acquisitions in the current and prior years respectively.

The goodwill of HK$518,343,000 comprises the fair value of expected synergies arising from acquisition of the Shipyard Group.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisitions of subsidiaries is as follows:

	2007	2006
	HK$'000	HK$'000
Cash consideration	**(507,431)**	(296,107)
Cash and cash equivalents acquired	**72,143**	64,930
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**(435,288)**	(231,177)

According to an "earn-out" arrangement agreed between the Company and Titan Oil and two associate companies of a director in respect of the acquisition of 100% equity interest in TQSL Holding, the Company will issue a maximum 354,406,844 ordinary shares in three tranches of up to 88,601,711 shares, 88,601,711 shares and 177,203,422 shares, respectively, once the net profit before tax ("NPBT") targets of Shipyard Group for 2008, 2009 and 2010 can be achieved (the "Earn-out Arrangement"). The NPBT targets for 2008, 2009 and 2010 (the "NPBT Targets") are US$7.5 million, US$20 million and US$50 million, respectively.

Since acquisition, the Shipyard Group and 海鑫 have not made a material contribution to the consolidated loss for the year ended 31 December 2007. Sky Sharp Group and 益泰 also did not make a material contribution to the consolidated profit for the year ended 31 December 2006.

Had the acquisition of the Shipyard Group taken place at the beginning of the year, the revenue and the loss attributable to equity holders of the parent for the year would have been HK$17,151,933,000 and HK$52,114,000, respectively.

Had the acquisition of 海鑫 taken place at the beginning of the year, the revenue and the loss attributable to ordinary equity holders of the parent for the year would have been HK$17,004,318,000 and HK$29,104,000, respectively.

35. BUSINESS COMBINATIONS (continued)

Had the acquisition of Sky Sharp Group taken place at the beginning of the prior year, the revenue and the profit attributable to equity holders of the parent for the year would have been HK$11,459,980,000 and HK$100,770,000, respectively.

Had the acquisition of 益泰 taken place at the beginning of the prior year, the revenue and the profit attributable to equity holders of the parent for the year would have been HK$11,459,980,000 and HK$102,190,000, respectively.

36. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(a) In the current year, other payables of HK$139,531,000 was reclassified as amounts due to subsidiaries upon the Group's acquisition of Shipyard Group.

(b) In the prior year, other receivables and amounts due from associates of HK$37,274,000 and HK$78,765,000, respectively, were reclassified as amounts due from subsidiaries upon the Group's acquisition of 益泰 and Sky Sharp Group.

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases a vessel under an operating lease arrangement, negotiated for five years. The terms of the lease generally also require the tenant to pay security deposit and provide for periodic rent adjustments according to prevailing market conditions.

At the balance sheet date, the Group had total future minimum lease receivables under a non-cancellable operating lease falling due as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**2,160**	—
In the second to fifth years, inclusive	**7,734**	—
	9,894	—

37. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases vessels and certain leasehold land and buildings under operating lease arrangements. Leases for the vessels are negotiated for terms ranging from one to five years, and leases for leasehold buildings are negotiated for terms ranging from one to three years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Vessels		
Within one year	**306,154**	376,258
In the second to fifth years, inclusive	**289,041**	585,850
	595,195	962,108
Leasehold land and buildings		
Within one year	**9,516**	10,481
In the second to fifth years, inclusive	**13,148**	19,550
	22,664	30,031
	617,859	992,139

38. COMMITMENTS

(a) At 31 December 2007, the Group had capital contribution commitments of US$35,000,000 (equivalent to approximately HK$273,000,000), RMB330,000,000 (equivalent to approximately HK$351,064,000) and US$12,500,000 (equivalent to approximately HK$97,500,000) in respect of the increase of capital in GZ Nansha, Quanzhou Shipyard and Titan Petrochemicals (Fujian) Ltd., respectively (2006: Nil). At 31 December 2006, the Group had capital contribution commitments of US$4,662,000 (equivalent to approximately HK$36,363,600), US$6,125,000 (equivalent to approximately HK$47,778,000) and RMB33,750,000 (equivalent to approximately HK$33,750,000) in respect of increases in capital in Yangshan Shen Gang, Fujian Titan and GZ Xiaohu, respectively. The Group also had a capital commitment of RMB500,314,000 (equivalent to approximately HK$532,249,000) (2006: RMB62,879,000 (equivalent to approximately HK$62,879,000)) in respect of the construction of oil berthing, storage and shipbuilding facilities.

38. COMMITMENTS (continued)

(b) At 31 December 2007, the Group had total commitments of RMB21,636,000 (equivalent to approximately HK$23,017,000) (2006: RMB21,636,000 (equivalent to approximately HK$21,636,000)) and RMB45,000,000 (equivalent to approximately HK$47,872,000) (2006: Nil) in respect of the acquisition of certain equity interests in a company engaged in the oil logistics-related business in Mainland China from an independent third party and capital contribution commitments in respect of the oil storage business, respectively.

(c) At 31 December 2007, the Group's associates had capital commitments, amounting to approximately RMB81,301,000 (equivalent to approximately HK$86,490,000) (2006: RMB86,986,000 (equivalent to approximately HK$86,986,000)) in respect of the construction of oil berthing and storage facilities.

(d) On 3 July 2006, the Company entered into a shipbuilding agreement with a QZ Shipyard to purchase two bunker barges and with two options to acquire a further eight bunker barges for a contracted sum of US$86,700,000 (equivalent to approximately HK$676,260,000). During the 2006, the Group paid deposits of approximately HK$44,207,000 and exercised one of the options to acquire a further four bunker barges. Accordingly, the Group had total commitments in respect of the purchase of six bunker barges of approximately HK$361,549,000 as at 31 December 2006 (note 40(a)(ii)). During the year, the Group acquired the 100% of equity interests in QZ Shipyard so there are no capital commitments in respect of the barges.

39. CONTINGENT LIABILITIES

At 31 December 2007, guarantees aggregating HK$6,163,190,000 (2006: HK$6,156,108,000) were given by the Company to banks in connection with banking facilities granted to subsidiaries. An amount of HK$2,674,481,000 (2006: HK$2,615,009,000) of the facilities had been utilised by subsidiaries of the Company.

A guarantee given by the Company in connection with a finance lease arrangement granted to a subsidiary was released during the year (2006: HK$138,135,000).

At 31 December 2007, guarantees aggregating HK$226,388,000 (2006: HK$99,926,000) were given by the Company to suppliers in connection with the oil trading businesses. An amount of HK$171,922,000 (2006: HK$38,383,000) had been utilised by a subsidiary of the Company.

Other than the contingent liabilities as disclosed above, the Group and the Company had no other material contingent liabilities as at the balance sheet date.

40. RELATED PARTY TRANSACTIONS

(a) As referred to elsewhere in these financial statements, the Group had the following material transactions with related parties during 2007 and 2006:

(i) Tenancy agreement with Titan Oil

In 2004, the Group entered into a tenancy agreement with Titan Oil for the lease of office premises currently used for the operation of the oil supply business for a term of three years commencing from 1 January 2005 until 31 December 2007. During the year, the Group paid a total amount of S$212,660 (equivalent to approximately HK$1,047,000) (2006: S$212,660 (equivalent to approximately HK$1,040,379)) to Titan Oil for the lease of the office premises, which is comparable to the prevailing market rental for similar properties.

(ii) Shipbuilding contract

On 3 July 2006, the Company entered into a conditional shipbuilding contract with QZ Shipyard, a company which was approximately 46.52% owned by Titan Oil, to purchase two bunker barges and with two options to acquire a further eight bunker barges for an aggregate consideration of US$86.7 million (equivalent to approximately HK$676 million). As at 31 December 2006, deposits of approximately HK$44 million were paid to QZ Shipyard (note 38(d)). During the year, the Group acquired the 100% equity interest of QZ Shipyard so this transaction is no longer considered to be a related party transaction in the current year.

The above Purchase constituted a connected and major transaction of the Company pursuant to the Listing Rules and further details on the disclosure in relation to the Purchase are set out in the Company's circular dated 27 July 2006. On 15 August 2006, the barges purchase transaction was approved by independent shareholders at a special general meeting of the Company.

(iii) Bank guarantees

As at the balance sheet date, a guarantee was given by a subsidiary of Titan Oil to a bank in connection with a bank loan granted to a jointly-controlled entity of RMB20,000,000 (equivalent to approximately HK$21,277,000) (2006: a subsidiary RMB20,000,000 (equivalent to approximately HK$20,000,000)) (note 26(xi)).

As at 31 December 2006, a guarantee was granted by Titan Oil to a bank in connection to a bank loan of US$1,300,000 (equivalent to approximately HK$10,140,000) granted to a subsidiary of the Company which was fully repaid in January 2007 and the guarantee was released thereafter.

(iv) Build and sale of vessels

As at 31 December 2007, the shipbuilding subsidiary of the Group (2006: related company of the Group) had a vessel sales contract with Titan Oil to build and sell 12 vessels for total contract sum of US$138,400,000 (equivalent to approximately HK$1,079,520,000) (2006: Nil). As at 31 December 2007, Titan Oil had paid US$42,365,000 (equivalent to approximately HK$330,448,000) vessel deposits to the Group.

40. RELATED PARTY TRANSACTIONS (continued)

(b) Other transaction with related parties

As at 31 December 2006, a subsidiary of Titan Oil advanced RMB660,000 (equivalent to approximately HK$660,000) to a subsidiary of the Group for working capital purposes, which is unsecured, interest-free and has no fixed terms of repayment. As at 31 December 2007, the amount had been settled.

The related party transaction in respect of item (a)(i) above also constituted a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Financial assets

	Group					
	Financial assets at fair value through profit or loss — held for trading		Loans and receivables		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Due from associates	**—**	—	**27,598**	56,987	**27,598**	56,987
Deposit held in a collateral account	**—**	—	**14,166**	9,750	**14,166**	9,750
Accounts receivable	**—**	—	**1,158,427**	1,250,652	**1,158,427**	1,250,652
Financial assets included in prepayments, deposits and other receivables	**—**	—	**579,583**	182,396	**579,583**	182,396
Contracts in progress	**—**	—	**205,587**	20,296	**205,587**	20,296
Derivative financial instruments	**258,095**	148,439	**—**	—	**258,095**	148,439
Pledged deposits	**—**	—	**597,184**	72,644	**597,184**	72,644
Cash and cash equivalents	**—**	—	**1,513,620**	300,548	**1,513,620**	300,548
	258,095	148,439	**4,096,165**	1,893,273	**4,354,260**	2,041,712

41. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Group					
	Financial liabilities at fair value through profit or loss — held for trading		Finanical liabilities at amortised cost		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Accounts and bills payable	**—**	—	**913,153**	912,634	**913,153**	912,634
Financial liabilities included in other payables and accruals	**—**	—	**868,726**	629,469	**868,726**	629,469
Excess of progress billings over contract costs	**—**	—	**21,833**	11,490	**21,833**	11,490
Derivative financial instruments	**408,527**	48,669	**—**	—	**408,527**	48,669
Interest-bearing bank loans	**—**	—	**3,059,826**	1,845,363	**3,059,826**	1,845,363
Finance lease payables	**—**	—	**1,146**	138,357	**1,146**	138,357
Fixed rate guaranteed senior notes	**—**	—	**3,135,041**	3,124,306	**3,135,041**	3,124,306
Convertible preferred shares — liability portion	**—**	—	**501,622**	—	**501,622**	—
	408,527	48,669	**8,501,347**	6,661,619	**8,909,874**	6,710,288

41. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets

	Company					
	Financial assets at fair value through profit or loss — held for trading		Loans and receivables		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Due from subsidiaries	**—**	—	**5,671,533**	4,465,452	**5,671,533**	4,465,452
Deposit held in a collateral account	**—**	—	**14,166**	9,750	**14,166**	9,750
Financial assets included in prepayments, deposits and other receivables	**—**	—	**1,542**	995	**1,542**	995
Derivative financial instruments	**—**	8,434	**—**	—	**—**	8,434
Cash and cash equivalents	**—**	—	**298,858**	4,627	**298,858**	4,627
	—	8,434	**5,986,099**	4,480,824	**5,986,099**	4,489,258

41. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Company					
	Financial liabilities at fair value through profit or loss — held for trading		Financial liabilities at amortised cost		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Financial liabilities included in other payables and accruals	**—**	—	**25,879**	3,906	**25,879**	3,906
Due to subsidiaries	**—**	—	**636,598**	218,609	**636,598**	218,609
Derivative financial instruments	**5,812**	—	**—**	—	**5,812**	—
Fixed rate guaranteed senior notes	**—**	—	**3,135,041**	3,124,306	**3,135,041**	3,124,306
Convertible preferred shares — liability portion	**—**	—	**226,879**	—	**226,879**	—
	5,812	—	**4,024,397**	3,346,821	**4,030,209**	3,346,821

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank and other loans, fixed rate guaranteed senior notes, finance lease payables, cash and bank balances, and short term time deposits. The main purpose of these financial instruments is to raise and/or retain funds for Group operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts and bills payable, which arise directly from its operations.

The Group also enters into derivative transactions, including oil price swap contracts, interest rate swap agreements and foreign exchange contracts. The purpose of entering into these derivative transactions is to manage the risks from fluctuations in commodity prices, interest rates and foreign exchange rates arising from the Group's operations and its sources of finance.

The Group is principally exposed to commodity price risks, interest rate risks, credit risks and liquidity risks and, to a lesser extent, foreign currency risks, and uses derivatives and other instruments in connection with its risk management activities.

The Group has written risk management policies and guidelines recommended by a risk committee which set out the tolerance for risk and a general risk management philosophy, and has established processes to monitor and control hedging transactions in a timely and accurate manner. Such written policies are reviewed annually by the board of directors and regularly by the risk committee to ensure that the Group's policies and guidelines are appropriate and adhered to.

Commodity price risks

The Group's exposures to price risks on goods and services are closely monitored by the Group's risk manager to ensure they fall within approved limits.

Interest rate risk

The Group has entered into an interest rate swap agreement to hedge all floating rate loans to fixed rate loans. The Group's treasury department continually monitors the positions and explores other ways to reduce interest costs.

Since the majority of the Group's floating rate loans were hedged by an interest rate swap, the Group's profit/(loss) before tax and the Group and the Company's equity should not be materially impacted when there is increase or decrease in market interest rates.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risks

Credit risks arise from the inability of a counterparty to meet the payment terms of the Group's financial instrument contracts (including physical contracts). It is the Group's policy to minimise such credit exposures by careful assessment of customer credit worthiness. The Group further lowers its credit exposure by obtaining export letters of credit, bank guarantees, credit insurance, etc. Therefore, the Group does not expect to incur any material credit losses on its risk management or other derivative financial instruments.

There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely dispersed.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in note 22 to the financial statements.

Liquidity risks

The Group's treasury department monitors the Group's cash flow positions on a regular basis to ensure the cash flow of the Group is positive and closely controlled.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on contracted undiscounted payments, was as follows:

	Group					
	Within one year		Over one year		Total	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Accounts and bills payable	**913,153**	912,634	**—**	—	**913,153**	912,634
Financial liabilities included in other payables and accruals	**868,726**	629,469	**—**	—	**868,726**	629,469
Excess of progress billings over contract costs	**21,833**	11,490	**—**	—	**21,833**	11,490
Derivative financial instruments	**408,527**	48,669	**—**	—	**408,527**	48,669
Interest-bearing bank loans	**1,798,617**	642,899	**1,261,209**	1,202,464	**3,059,826**	1,845,363
Finance lease payables	**424**	26,352	**722**	112,005	**1,146**	138,357
Fixed rate guaranteed senior notes	**—**	—	**3,120,000**	3,120,000	**3,120,000**	3,120,000
Convertible preferred shares — liability portion	**—**	—	**311,000**	—	**311,000**	—
	4,011,280	2,271,513	**4,692,931**	4,434,469	**8,704,211**	6,705,982

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risks (continued)

	Company					
	Within one year		Over one year		Total	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Financial liabilities included in other payables and accruals	25,879	3,906	—	—	25,879	3,906
Due to subsidiaries	—	—	636,598	218,609	636,598	218,609
Derivative financial instruments	5,812	—	—	—	5,812	—
Fixed rate guaranteed senior notes	—	—	3,120,000	3,120,000	3,120,000	3,120,000
Convertible preferred shares — liability portion	—	—	311,000	—	311,000	—
	31,691	3,906	4,067,598	3,338,609	4,099,289	3,342,515

Foreign currency risks

The Group's foreign currency exposures are minimal in view of the natural hedge between costs and revenues which are both primarily in US dollars. The Group do not have any significant exchange rate exposures to Hong Kong dollars or Singapore dollars.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risks (continued)

The Group has transactional currency exposures and uses forward currency contracts to eliminate the foreign currency exposures on its operating activities. The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the United States dollar to RMB exchange rate, with all other variables held constant, of the Group's loss before tax due to changes in the fair values of monetary assets and liabilities.

	%	Increase/ (decrease) in loss before tax HK$'000
2007		
If United States dollar weakens against RMB	**5**	**12,857**
If United States dollar strengthens against RMB	**5**	**(12,857)**

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 2006.

The Group monitors capital using a gearing ratio, which is total debt divided by the total assets. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2007 HK$'000	2006 HK$'000
Interest-bearing bank loans	**3,059,826**	1,845,363
Finance lease payables	**1,146**	138,357
Fixed rate guaranteed senior notes	**3,135,041**	3,124,306
Total debt	**6,196,013**	5,108,026
Total assets	**12,774,943**	8,947,036
Gearing ratio	**49%**	57%

43. COMPARATIVE AMOUNTS

Certain comparative amounts in note 4 under the heading "Segment Information" have been reclassified to conform with the current year's presentation. In the opinion of the Company's directors, such reclassifications provide a more appropriate presentation on the Group's business segment.

44. POST BALANCE SHEET EVENT

On 15 April 2008, the Group entered into sale and purchase agreements to dispose of three shipping vessels to an independent third party at a total cash consideration of US$63,700,000 (equivalent to approximately HK$496,860,000). The total loss on disposal from these transactions was estimated approximately US$820,000 (equivalent to approximately HK$6,395,000) based on the net book value as at 31 March 2008.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 April 2008.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE					
Continuing operations	**17,004,318**	11,459,980	10,463,650	3,493,565	996,349
Discontinued operation	**—**	—	—	—	110,787
	17,004,318	11,459,980	10,463,650	3,493,565	1,107,136
PROFIT/(LOSS) BEFORE TAX					
Continuing operations	**(24,478)**	110,489	306,504	402,908	103,616
Discontinued operation	**—**	—	—	—	(2,485)
	(24,478)	110,489	306,504	402,908	101,131
Tax					
Continuing operations	**(6,494)**	(13,977)	(3,474)	(2,450)	(469)
Discontinued operation	**—**	—	—	—	(144)
	(6,494)	(13,977)	(3,474)	(2,450)	(613)
PROFIT/(LOSS) FOR THE YEAR	**(30,972)**	96,512	303,030	400,458	100,518
Attributable to:					
Equity holders of the parent	**(29,104)**	100,333	303,030	400,458	100,512
Minority interests	**(1,868)**	(3,821)	—	—	6
	(30,972)	96,512	303,030	400,458	100,518

ASSETS, LIABILITIES AND MINORITY INTERESTS

	At 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**12,774,943**	8,947,036	7,602,229	3,010,125	755,128
TOTAL LIABILITIES	**(9,089,734)**	(6,795,131)	(5,716,467)	(1,380,779)	(205,812)
CONTINGENTLY REDEEMABLE EQUITY IN A JOINTLY-CONTROLLED ENTITY	**(517,837)**	—	—	—	—
MINORITY INTERESTS	**(115,487)**	(102,997)	(26,665)	—	—
	3,051,885	2,048,908	1,859,097	1,629,346	549,316

Corporate Information

Directors

Executive Directors
Tsoi Tin Chun, *Chairman & Chief Executive*
Barry C. Cheung, *JP, Deputy Chairman*

Independent Non-executive Directors
Maria W. Tam, *GBS, JP*
John William Crawford, *JP*
Abraham Shek, *SBS, JP*

Non-executive Director
Ib Fruergaard

Audit Committee

John William Crawford, *JP, Committee Chairman*
Maria W. Tam, *GBS, JP*
Abraham Shek, *SBS, JP*

Remuneration Committee

Maria W. Tam, *GBS, JP, Committee Chairman*
Abraham Shek, *SBS, JP*
Tsoi Tin Chun

Company Secretary & Qualified Accountant

Allen C. Tu

Registered Office

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2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

4901 Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

Principal Bankers

ABN AMRO Bank N.V.
Agricultural Bank of China
Bank of China
Bank of China (HongKong) Limited
China Construction Bank
DBS Bank Ltd
Industrial and Commercial Bank of China
ING Bank N.V.
Malayan Banking Berhad
Rabobank International
Raiffeisen Zentralbank Österreich AG
(RZB-Austria)
Shenzhen Development Bank
Societe Generale
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
The Bank of Tokyo-Mitsubishi UFJ Ltd
United Overseas Bank Ltd

Auditors

Ernst & Young

Solicitors

Richards Butler in association with Reed Smith LLP
Rodyk and Davidson LLP
Tommy Thomas Advocates and Solicitors
Skadden, Arps, Slate, Meagher & Flom LLP
Rajah & Tann
TSMP Law Corporation
Conyers, Dill & Pearman
Raja, Darryl & Loh
Guangdong Zhengda United Law Firm
Global Law Office

Principal Registrars

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