Interim Report 2008

Titan Petrochemicals Group Limited

Stock Code : 1192

Corporate Information

DIRECTORS

Executive Directors

Tsoi Tin Chun, *Chairman & Chief Executive*
Patrick Wong Siu Hung
Philip Chu Yan Jy

Independent Non-executive Directors

Maria Tam Wai Chu, *GBS, JP*
John William Crawford, *JP*
Abraham Shek Lai Him, *SBS, JP*

Non-executive Director

Ib Fruergaard

AUDIT COMMITTEE

John William Crawford, *JP, Committee Chairman*
Maria Tam Wai Chu, *GBS, JP*
Abraham Shek Lai Him, *SBS, JP*

REMUNERATION COMMITTEE

Maria Tam Wai Chu, *GBS, JP, Committee Chairman*
Abraham Shek Lai Him, *SBS, JP*
Tsoi Tin Chun

COMPANY SECRETARY

Shirley Hui Wai Man

QUALIFIED ACCOUNTANT

Koh Thong Hean

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

4901 Sun Hung Kai Centre
30 Harbour Road
Wanchai
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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
Shenzhen Development Bank
Standard Chartered Bank
United Overseas Bank Ltd

AUDITORS

Ernst & Young

SOLICITORS

Richards Butler
Rodyk & Davidson LLP
Haridass Ho & Partners
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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Hamilton HM11
Bermuda

HONG KONG BRANCH REGISTRARS

Tricor Tengis Limited
26/F, Tesbury Centre
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Hong Kong

WEBSITE

www.petrotitan.com

STOCK CODE

1192

Highlights

HK$M	1H 2008	1H 2007	Change %
Revenue	**5,470.9**	3,372.2	62
EBITDA — continuing operations	**411.7**	319.6	29
Operating profit/(loss), continuing operations	**36.1**	(93.3)	139
Profit before tax* — continuing operations	**17.7**	11.7	51
(Loss)/profit after tax — discontinued operation, trading	**(304.3)**	143.9	—
(Loss)/profit after tax	**(291.6)**	153.5	—

* *Includes the loss on disposal of vessels of HK$6.6M and restructuring cost of HK$11.7M in 1H 2008 and the gain on disposal of vessels of HK$105M in 1H 2007.*

- ***All core businesses performed satisfactorily with segment earnings increasing year-on-year except for the Supply Chain Division***
- ***Group business restructured to scale down supply chain operations***
- ***Operating profit of HK$36M in 1H 2008 for continuing business compared to a loss of HK$93M in the same period last year***
- ***Continuing rationalization of assets to improve liquidity***
- ***Strategic partnership with K Line on Titan Quanzhou Shipyard***

Chairman's Statement

For the first half of 2008, we are pleased to report that almost every business segment of Titan, with the exception of our supply chain business, made satisfactory progress, resulting in improved earnings year-on-year. With oil prices increasing by more than 40% in the first six months, market conditions remained extremely challenging for the supply chain — trading operations, which resulted in a loss of HK$304 million for this business.

Accordingly, the Group took decisive action to rectify the situation and on June 25 we announced a restructuring plan to increase the focus on the storage and shipyard businesses and scale down our supply chain activities. Corresponding with this plan, the Group reduced its headcount in Singapore and Hong Kong by 56 to 149 which, although incurring a one-time cost of HK$11.7 million, will result in an annual cost savings of around HK$26 million.

As part of the restructuring, which is expected to be completed by the end of 2008 with the successful scale down of the trading operations, Titan expects to improve its balance sheet considerably with the elimination of about US$140 million (HK$1,092 million) of trading-related debt and banking facilities, together with an improvement to cash flow of about US$50 million (HK$390 million).

We also achieved our stated goal to bring in a strategic partner to Titan Quanzhou Shipyard, which not only validates the Group's investment in this major project, but gives a boost to advancing our business plan.

During the period, we continued to rationalize our assets to improve liquidity by selling three vessels, and this strategy continues into the second half with the announcements of two additional VLCCs (very large crude carrier) sales.

Results

The Group's revenue for the first six months of 2008 was HK$5,471 million, an increase of 62% over the same period in 2007. For continuing operations, earnings before interest, tax, depreciation and amortization (EBITDA) increased from HK$320 million to HK$412 million, while operating profit increased to HK$36 million compared to a loss of HK$93 million in the first half last year. This resulted in a profit before tax on continuing operations of HK$18 million, an increase of 51% from the same period last year, which includes a loss on vessel disposals of HK$6.6 million and restructuring costs of HK$11.7 million for 2008 and a gain on vessel disposals of HK$105 million in the first half of 2007.

Including discontinued operations, the loss attributable to shareholders was HK$292 million, compared to a profit of HK$153 million in the first half of 2007. Against this background, the Board has decided not to declare a dividend.

Business Review

Shipyard

Total revenues for the Titan Quanzhou Shipyard for the period were HK$352 million and segment EBITDA was HK$22 million. During the first six months of the year, the shipbuilding operation delivered two vessels. It also started the construction of another four vessels and launched another two during the period. All of these vessels are 7,000 deadweight ton (dwt) bunker/transportation dual purpose tankers. With the completion of the second slipway, the yard plans to deliver eight to ten ships in 2008. Preparations for the ship repair business are on track as construction of two 300,000 dwt dry docks is on schedule and they will be operational in the first half of 2009.

In early August 2008, the Group signed agreements with Kawasaki Kisen Kaisha (K Line) of Japan, one of the world's largest ship-owners, for K Line to purchase US$25 million (approximately HK$195 million) of notes, which, prior to 31 March 2013, are exchangeable for up to a 5% equity interest in Titan TQSL Holding Company Limited, which holds Titan Quanzhou Shipyard. Additionally, K Line is appointing Titan Quanzhou Shipyard as its primary ship repair partner in China, and will provide a specified volume of ship repair business. In return, Titan Quanzhou Shipyard will make available specified ship repair capacity to meet K Line's demand. This agreement is for an initial term of ten years and thereafter will be renewed automatically for successive five-year terms.

Storage

In the first half of 2008, revenues from the Group's storage operations increased 46% to HK$307 million and segment EBITDA increased by 37% to HK$118 million.

Revenues came mainly from the our floating storage unit (FSU) operations in Malaysian waters near Singapore, with FSU revenues increasing 56% to HK$281 million, while FSU segment EBITDA rose 41% to HK$98 million, attributable to a 42% increase in average FSU capacity to 850,000 tons in the first half of 2008 as compared to the first half of last year. During the period, Platts also designated one of our FSUs as a physical delivery point for fuel oil, which will help Titan capture more business with international oil traders engaged in physical trading, blending and delivery operations in Asia. With the re-deployment in the second quarter of two FSUs as shipping vessels to capitalize the upturn of freight rates during the period, the Group's FSU capacity stood at 500,000 tons as at 30 June 2008.

External revenues from Titan's China terminals increased threefold to HK$25 million and segment EBITDA improved as well, increasing 20% to HK$20 million for the first six months this year. Our marketing efforts to boost utilization, as disclosed in April, have paid off with our flagship facility in Nansha recording a monthly utilization of 87% in June compared to 7% in January this year. Average utilization for the 410,000 cubic meter Nansha facility was 53% over the six-month period.

In March 2008, the Shanghai Futures Exchange designated our Nansha terminal as a physical delivery storage facility for the settlement of its fuel oil futures contracts. The recently launched Hong Kong Mercantile Exchange has also indicated it would use our China terminals as physical delivery points when it starts operations next year. These developments will bring about increased recognition of the Group's storage facilities among Chinese and international customers, and further increase direct utilization in the longer term.

Good progress has been made on the development of the Yangshan Petrochemical Terminal, near Shanghai. Phase I of the facility, consisting of 420,000 cubic meters of fuel oil storage, will be ready for operation on or before the final quarter of 2008. Construction of the 305,300-cubic-meter Nansha Phase II is also underway with expected completion by the end of 2008.

Supply Chain (Supply & Distribution)

The Group started to restructure its business at the end of the first half to scale down Supply Chain operations. We are divesting the trading business, a process which will be completed before the year end, while continuing our bunkering operations.

This decision to divest has been accelerated by the persistently difficult operating environment presented by the dramatic increase of oil prices, ranging from 43% for 180cst fuel oil to 49% for Front Line Brent since the start of the year. Following the loss incurred in the second half 2007, the Group has substantially reduced its fixed operating costs in the second quarter, as well as mitigated losses through hedging. However, several factors including slower customer demand, much higher financing costs and working capital constraints continued to impact this business, resulting in a net loss of HK$304 million for the first six months.

Revenues for the distribution (bunkering) business excluding discontinued trading operations in first half of 2008 increased 52% to HK$4,343 million on account of the rising price of bunker fuel, but sales volume dropped by 13% compared to the last period as margins were eroded owing to increasing competition in the Singapore market. This was reflected in a lower segment EBITDA, excluding discontinued operations, of HK$28 million.

Transportation
Revenues from transportation in the first half of 2008 were HK$1,016 million, an increase of 30% compared to the same period last year. Segment EBITDA increased by 18% to HK$301 million. The increase in revenues was due to an upsurge in freight rates, with average Worldscale (WS) rates for the Middle East — Far East route rising to WS150 for the six months of this year compared to WS71 for the same period in 2007.

As a result of our continuing asset management program, we sold two VLCCs, and one coastal tanker for a total consideration of HK$478 million, which resulted in a total net book loss of HK$6.6 million.

We also started operating two vessels returned from the FSU division to take advantage of the stronger VLCC market during the second quarter. At the end of the first half of this year, Titan's transportation fleet capacity stood at 2.14 million dwt compared to 2.43 million dwt twelve months ago.

Financial Resources
The Group's cash position was HK$1,098 million at 30 June 2008 compared to HK$2,078 million at 31 December 2007, and gearing ratio stood at 0.46 compared to 0.49 six months ago.

Outlook
Our focus for the rest of 2008 will be to improve liquidity and further strengthen Titan's balance sheet as we set out to do when we announced our 2007 annual results in April this year.

In terms of the balance sheet, we are pleased to have made significant progress by making timely disposals of our single-hulled vessels, which now includes the sale of another two VLCCs as announced earlier this month. In addition, we have successfully formed a strategic partnership with K Line, which not only enhances our ship-repair business, but will help Titan secure more such partnerships in the future.

In the second half, we will continue to improve the quality of our balance sheet by making asset impairment charges as and when deemed necessary, selling our remaining inventory from the supply/trading business and recognizing the net book value loss from the disposal of vessels. While these items will affect the Group's bottom-line this year, all are either non-cash items that will help clean out our balance sheet or will contribute to positive cash generation. This will, in turn, help better position Titan to take on the challenges of executing our plans for the shipyard and storage businesses going forward.

Shipyard

In the second half, the yard is scheduled to start building four to six more ships, launch six and deliver six to eight more, bringing total delivery of vessels to eight to ten for the year. We have also strengthened the management team to give greater focus and support to shipbuilding operations where we are pursuing third party sales orders, and for the up-and-coming ship repair division. In view of the rising demand from ship-owners, Titan is accelerating the build-out of the ship repair facility to prepare the yard to be operational as early as mid 2009.

Storage

We are continuing our efforts to pursue more term lease business for our China terminals, with the overall goal of achieving an average utilization rate of more than 70% by the end of this year. We will also market the new capacity coming on stream in Nansha at the end of the year, which includes 125,300 cubic meters of chemical and 180,000 cubic meters of petroleum storage. We anticipate Phase I of the Yangshan facility to be ready by the end of the year and expect a good uptake of customers in light of support from our joint venture partners and the strong demand from the region especially from bunker related businesses.

Supply Chain (Bunkering/Distribution)

We expect 2008 to remain challenging for bunkering for the rest of the year as higher oil prices will continue to put pressure on margins and constraints on working capital. Nonetheless, we see potential in Hong Kong and mainland China and will work at increasing sales volumes in these locations.

Transportation

In transportation, prospects for the second half of 2008 may weaken in comparison to the first half owing to increased tonnage availability. Nonetheless, the overall prospects look brighter than in 2007 and 2006, supported by increased VLCC conversion and scrapping due to higher steel prices, balanced by lower oil demand driven by high oil prices and slowing economic growth. However, with increased price differentials between newer and older tonnage, we will continue our strategy to dispose of single-hulled vessels in a timely manner and, thereby, achieve a higher return on assets.

Summary

While the environment remains challenging with high oil prices, shrinking liquidity and slowing economic growth, we have taken several initiatives to strengthen Titan's position. Going forward, the restructured Group will be able to give greater focus and resources to our storage and shipyard businesses, paving the way to generate increasing stability and growth in earnings and, in the future, to achieve a breakthrough with the successful development of the Group's strategic investments.

Tsoi Tin Chun
Chairman & Chief Executive

Hong Kong, 26 August 2008

Consolidated Income Statement

	Note	Six months ended 30 June 2008 (Unaudited) HK$'000	2007* (Unaudited) HK$'000
Revenue	5	**5,470,853**	3,372,237
Cost of sales		**(5,096,859)**	(3,179,359)
Gross profit		**373,994**	192,878
Other revenue		**50,203**	26,474
Administrative expenses		**(157,170)**	(109,113)
Finance costs	6	**(234,230)**	(204,076)
Share of profit from associates		**3,271**	514
Operating profit/(loss), continuing operations		**36,068**	(93,323)
(Loss)/gain on disposal of vessels		**(6,622)**	105,062
Restructuring expenses		**(11,700)**	—
Profit before tax	7	**17,746**	11,739
Tax expenses	8	**(5,054)**	(2,207)
Profit from continuing operations		**12,692**	9,532
(Loss)/profit from discontinued operation, trading	4(a)	**(304,315)**	143,941
(Loss)/profit after tax		**(291,623)**	153,473
DISTRIBUTION			
Attributable to ordinary equity holders of the Company		**(287,817)**	151,713
Attributable to minority interests		**(3,806)**	1,760
		(291,623)	153,473
Dividends	9	**—**	—
(Loss)/earnings per share attributable to ordinary equity holders of the Company	10		
Total			
Basic		**(HKcts 4.45)**	HKcts 3.10
Diluted		**(HKcts 4.45)**	HKcts 3.03
Continuing operations			
Basic		**HKcts 0.25**	HKcts 0.16
Diluted		**HKcts 0.25**	HKcts 0.16
Discontinued operation, trading			
Basic		**(HKcts 4.70)**	HKcts 2.94
Diluted		**(HKcts 4.70)**	HKcts 2.87

* *The comparatives are re-presented to separate the discontinued operation, trading. Explanations are detailed in Note 4.*

The accompanying accounting policies and explanatory notes set out on pages 11 to 23 form an integral part of the consolidated financial statements.

Consolidated Balance Sheet

	Note	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**4,764,190**	4,758,740
Prepaid land lease payments		**892,538**	881,296
Licenses		**38,681**	39,933
Goodwill		**804,788**	1,018,116
Interests in associates		**278,482**	263,746
Deposits for construction in progress		**241,026**	268,215
Other deposits		**28,888**	14,166
		7,048,593	7,244,212
Current assets			
Bunker oil and inventories		**481,778**	1,218,235
Accounts receivable	11	**781,310**	1,158,427
Prepayments, deposits and other receivables		**897,049**	579,583
Contracts in progress		**614,163**	205,587
Derivative financial instruments		**26,650**	258,095
Pledged deposits	12	**486,393**	597,184
Cash and bank balances	12	**541,943**	1,513,620
		3,829,286	5,530,731
Assets of disposal group classified as held for sale	4(b)	**2,411,438**	—
		6,240,724	5,530,731
Current liabilities			
Interest-bearing bank loans		**1,023,706**	1,798,617
Accounts and bills payable	13	**824,564**	913,153
Other payables and accruals		**1,137,973**	868,726
Finance lease payables		**391**	424
Excess of progress billings over contract costs		**203**	21,833
Derivative financial instruments		**47,240**	408,527
Tax payable		**29,809**	26,274
		3,063,886	4,037,554
Liabilities of disposal group classified as held for sale	4(b)	**1,811,556**	—
		4,875,442	4,037,554
Net current assets		**1,365,282**	1,493,177
Total assets less current liabilities		**8,413,875**	8,737,389

Consolidated Balance Sheet

	Note	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
Non-current liabilities			
Fixed rate guaranteed senior notes		**3,140,439**	3,135,041
Convertible preferred shares	15	**538,452**	501,622
Interest-bearing bank loans		**1,079,557**	1,261,209
Finance lease payables		**524**	722
Deferred tax liabilities		**153,570**	153,586
Vessel deposit received		**2,500**	—
		4,915,042	5,052,180
Net assets		**3,498,833**	3,685,209
Equity			
Equity attributable to equity holders of the Company			
Issued capital		**64,739**	64,737
Convertible preferred shares	15	**75,559**	75,559
Reserves	14	**2,912,920**	2,911,589
Reserves of disposal group classified as held for sale	4(b)	**(192,669)**	—
		2,860,549	3,051,885
Contingently redeemable equity in a jointly controlled entity	15	**517,837**	517,837
Minority interests		**120,447**	115,487
		3,498,833	3,685,209

The accompanying accounting policies and explanatory notes set out on pages 11 to 23 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

	Issued capital HK$'000	Convertible preferred shares HK$'000	Reserves HK$'000	Reserves of disposal group classified as held for sale HK$'000	Total HK$'000	Contingently redeemable equity in a jointly controlled entity HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008 (Audited)	**64,737**	**75,559**	**2,911,589**	**—**	**3,051,885**	**517,837**	**115,487**	**3,685,209**
Share option expenses	**—**	**—**	**8,303**	**—**	**8,303**	**—**	**—**	**8,303**
Share grant expenses	**—**	**—**	**2,223**	**—**	**2,223**	**—**	**—**	**2,223**
Exchange realignment	**—**	**—**	**88,378**	**—**	**88,378**	**—**	**7,095**	**95,473**
Change in fair value on cash flow hedge	**—**	**—**	**(2,522)**	**—**	**(2,522)**	**—**	**—**	**(2,522)**
Exercise of share options	**2**	**—**	**97**	**—**	**99**	**—**	**—**	**99**
Reserves of discontinued operation, trading	**—**	**—**	**192,669**	**(192,669)**	**—**	**—**	**—**	**—**
Loss for the period	**—**	**—**	**(287,817)**	**—**	**(287,817)**	**—**	**(3,806)**	**(291,623)**
Capital contribution by minority shareholders	**—**	**—**	**—**	**—**	**—**	**—**	**1,671**	**1,671**
At 30 June 2008 (Unaudited)	**64,739**	**75,559**	**2,912,920**	**(192,669)**	**2,860,549**	**517,837**	**120,447**	**3,498,833**
At 1 January 2007 (Audited)	48,649	—	2,000,259	—	2,048,908	—	102,997	2,151,905
New shares	5,546	—	281,454	—	287,000	—	—	287,000
Convertible preferred shares	—	—	—	—	—	207,600	—	207,600
Issuance expenses	—	—	(37,537)	—	(37,537)	(42,551)	—	(80,088)
Share option expenses	—	—	3,675	—	3,675	—	—	3,675
Exchange realignment	—	—	18,035	—	18,035	—	—	18,035
Change in fair value on cash flow hedge	—	—	1,968	—	1,968	—	—	1,968
Deemed disposal of subsidiaries	—	—	—	—	—	—	(49,766)	(49,766)
Profit for the period	—	—	151,713	—	151,713	—	1,760	153,473
Capital contribution by minority shareholders	—	—	—	—	—	—	14,026	14,026
At 30 June 2007 (Unaudited)	54,195	—	2,419,567	—	2,473,762	165,049	69,017	2,707,828

The accompanying accounting policies and explanatory notes set out on pages 11 to 23 form an integral part of the consolidated financial statements.

Condensed Consolidated Cash Flow Statement

	Note	Six months ended 30 June 2008 (Unaudited) HK$'000	2007 (Unaudited) HK$'000
Net cash (outflow)/inflow from:			
Operating activities		**(19,974)**	(203,319)
Investing activities		**(690,135)**	570,614
Financing activities		**(205,445)**	941,546
Net (decrease)/increase in cash and cash equivalents		**(915,554)**	1,308,841
Cash and cash equivalents at beginning of period		**2,077,968**	373,192
Effect of foreign exchange rate changes, net		**(64,046)**	47,201
Cash and cash equivalents at end of period	12	**1,098,368**	1,729,234

The accompanying accounting policies and explanatory notes set out on pages 11 to 23 form an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Titan Petrochemicals Group Limited (the "Company") and its subsidiaries (the "Group") for the period ended 30 June 2008 have been prepared in accordance with Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the Group's audited financial statements for the year ended 31 December 2007.

The adoption of the new standards, amendments and interpretations which become effective for accounting periods beginning on or after 1 January 2008 have had no material impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

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 other business segments. The Group is principally engaged in (a) the supply of oil products and provision of bunker refueling services; (b) provision of logistic services including oil transportation and oil storage; and (c) shipbuilding. The Group has discontinued its trading operation per the announcement on 25 June 2008 as detailed in Note 4. The segment information for the first six months of 2008 and the comparatives have been reclassified to separately disclose the discontinued operation, trading. The following table presents the unaudited revenue and results for the Group's business segments.

3. SEGMENT INFORMATION (Continued)

	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		Continuing operations		Discontinued operation, trading		Eliminations		Consolidated	
	2008 HK'000	2007* HK'000	**2008 HK'000**	2007 HK'000	**2008 HK'000**	2007 HK'000	**2008 HK'000**	2007 HK'000	**2008 HK'000**	2007 HK'000	**2008 HK'000**	2007 HK'000	**2008 HK'000**	2007* HK'000	**2008 HK'000**	2007 HK'000	**2008 HK'000**	2007 HK'000
Segment revenue																		
– External	**4,015,198**	2,626,936	**991,558**	681,261	**87,024**	58,150	**25,351**	5,890	**351,722**	–	**5,470,853**	3,372,237	**2,647,506**	4,322,340	**–**	–	**8,118,359**	7,694,577
– Intersegment	**328,184**	235,380	**24,250**	99,938	**194,101**	122,378	**679**	24,565	**–**	–	**547,214**	482,261	**1,500,052**	1,198,806	**(2,047,266)**	(1,681,067)	**–**	–
Total	**4,343,382**	2,862,316	**1,015,808**	781,199	**281,125**	180,528	**26,030**	30,455	**351,722**	–	**6,018,067**	3,854,498	**4,147,558**	5,521,146	**(2,047,276)**	(1,681,067)	**8,118,359**	7,694,577
Segment results	**27,283**	36,727	**225,364**	90,956	**65,597**	40,071	**2,273**	6,699	**11,987**	–	**332,504**	174,453	**(286,582)**	181,141	**–**	–	**45,922**	355,594
Adjust for:																		
Unallocated items:																		
– Interest income and other revenue											**16,388**	24,671	**2,488**	3,712			**18,876**	28,383
– Other expenses											**(81,865)**	(88,885)	**–**	(503)			**(81,865)**	(89,388)
Share of profit from associates											**3,271**	514	**–**	–			**3,271**	514
											270,298	110,753	**(284,094)**	184,350			**(13,796)**	295,103
Add: Depreciation & amortization:																		
– Attributable to segments	**591**	410	**75,808**	163,894	**32,255**	29,423	**17,547**	9,865	**9,722**	–	**135,923**	203,592	**120**	97			**136,043**	203,689
– Unallocated											**5,437**	5,261	**–**	–			**5,437**	5,261
Operating EBITDA	**27,874**	37,137	**301,172**	254,850	**97,852**	69,494	**19,820**	16,564	**21,709**	–	**411,658**	319,606	**(283,974)**	184,447			**127,684**	504,053
– (Loss)/gain on disposal of vessels											**(6,622)**	105,062	**–**	–			**(6,622)**	105,062
– Restructuring expenses											**(11,700)**	–	**–**	–			**(11,700)**	–
EBITDA											**393,336**	424,668	**(283,974)**	184,447			**109,362**	609,115
Depreciation & amortization											**(141,360)**	(208,853)	**(120)**	(97)			**(141,480)**	(208,950)
Finance costs											**(234,230)**	(204,076)	**(20,257)**	(16,203)			**(254,487)**	(220,279)
Profit/(loss) before tax											**17,746**	11,739	**(304,351)**	168,147			**(286,605)**	179,886
Tax (expenses)/credit											**(5,054)**	(2,207)	**36**	(24,206)			**(5,018)**	(26,413)
Profit/(loss) after tax											**12,692**	9,532	**(304,315)**	143,941			**(291,623)**	153,473

* *The comparatives are re-presented to separate the discontinued operation, trading. Explanations are detailed in Note 4.*

4. DISCONTINUED OPERATION, TRADING

On 25 June 2008, the Board of Directors resolved that the Group be restructured to focus more on its storage and shipyard operations, and scaled down its trading operation. As such, the Group has adopted Hong Kong Financial Reporting Standard No. 5 — Non-current Assets Held for Sale and Discontinued Operations.

As at 30 June 2008, the assets and liabilities related to discontinued operation, trading, have been presented in the consolidated balance sheet as "Assets of disposal group classified as held for sale" and "Liabilities of disposal group classified as held for sale". The comparatives of consolidated balance sheet are not adjusted as the decision to dispose of the discontinued operation, trading, was made in the current financial period.

For the financial period ended 30 June 2008, the results are presented separately on the consolidated income statement as "(Loss)/profit from discontinued operation, trading". The comparatives of the consolidated income statement are adjusted accordingly.

(a) Income statement disclosures

		Six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
	Note	**HK$'000**	HK$'000
Revenue		**2,647,506**	4,322,340
Cost of sales		**(2,731,384)**	(3,819,218)
Gross (loss)/profit		**(83,878)**	503,122
Vessel charges		**(169,556)**	(298,759)
Administrative expenses and finance costs		**(50,917)**	(36,216)
Operating (loss)/profit		**(304,351)**	168,147
Tax credit/(expenses)	8	**36**	(24,206)
(Loss)/profit from discontinued operation, trading		**(304,315)**	143,941

4. DISCONTINUED OPERATION, TRADING (Continued)

(b) Balance sheet disclosures

	Note	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
Assets of disposal group classified as held for sale			
Property, plant and equipment		**899**	–
Goodwill		**217,640**	–
Bunker oil and inventories		**1,192,417**	–
Accounts receivable		**119,296**	–
Prepayments, deposits and other receivables		**303,108**	–
Derivative financial instruments		**459,380**	–
Pledged deposits	12	**106,760**	–
Cash and bank balances	12	**11,938**	–
		2,411,438	–
Liabilities of disposal group classified as held for sale			
Interest-bearing bank loans		**819,328**	–
Accounts and bills payable		**250,882**	–
Other payables and accruals		**16,460**	–
Derivative financial instruments		**724,662**	–
Tax payable		**148**	–
Deferred tax liabilities		**76**	–
		1,811,556	–
Net assets of disposal group classified as held for sale		**599,882**	–
Reserves of disposal group classified as held for sale			
Accumulated losses		**(192,669)**	–

(c) Cash flow statement disclosures

	Note	Six months ended 30 June 2008 (Unaudited) HK$'000	2007 (Unaudited) HK$'000
Net cash outflow from:			
Operating activities		**(197,852)**	(37,430)
Investing activities		**–**	(106)
Financing activities		**–**	–
Net decrease in cash and cash equivalents		**(197,852)**	(37,536)
Cash and cash equivalents at beginning of period		**316,550**	343,634
Cash and cash equivalents at end of period	12	**118,698**	306,098

Notes to the Consolidated Financial Statements

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 services, gross income from oil storage services and gross income from shipbuilding.

6. FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans		
Wholly repayable within five years	**37,085**	40,124
Not wholly repayable within five years	**38,323**	25,609
Interest on trust receipts, secured	**19,879**	10,874
Interest on finance lease payables	**32**	8,201
Interest on fixed rate guaranteed senior notes	**137,998**	137,432
Dividends on convertible preferred shares	**36,830**	—
Other finance costs	**5,212**	2,399
	275,359	224,639
Less: Interest capitalized	**(20,872)**	(4,360)
	254,487	220,279
Finance costs, discontinued operation, trading	**(20,257)**	(16,203)
Finance costs, continuing operations	**234,230**	204,076

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation and amortization		
Continuing operations	**141,360**	208,853
Discontinued operation, trading	**120**	97
Interest income		
Continuing operations	**(14,759)**	(6,148)
Discontinued operation, trading	**(2,487)**	(3,712)

8. TAX EXPENSES

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Charge for the period	**5,030**	25,904
(Over)/under provision in prior periods	**(12)**	1,314
Deferred taxation	**–**	(805)
	5,018	26,413
Credit/(charge) for the period, discontinued operation, trading	**36**	(24,206)
Tax expenses for the period, continuing operations	**5,054**	2,207

Taxes on profits have been calculated at the rates of tax prevailing in the jurisdictions where the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

	2008	2007
Hong Kong	**16.5%**	17.5%
Singapore	**18.0%**	18.0%
Mainland China	**25.0%**	25.0%

Hong Kong

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

Singapore

With the Global Trader Program ("GTP") incentive awarded by the Inland Revenue Authority of Singapore, certain qualified income generated during the period from the oil supply business of the Group has been charged at a tax concessionary rate of 10%.

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 period.

Mainland China

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("PRC") 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 subsidiaries of the Group in Mainland China which have not fully utilized 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.

Notes to the Consolidated Financial Statements

9. DIVIDENDS

The Board of Directors does not recommend the payment of any interim dividend in respect of the period (2007: Nil).

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic (loss)/earnings per share is calculated by dividing the unaudited (loss)/profit for the period attributable to ordinary equity holders of the Company by the weighted average of 6,473,798,570 (30 June 2007: 4,900,950,589) ordinary shares in issue during the period.

Diluted earnings per share is calculated by dividing the unaudited (loss)/profit for the period attributable to ordinary equity holders of the Company by the weighted average number of 6,473,798,570 (30 June 2007: 4,900,950,589) ordinary shares in issue during the period, as used in the basic (loss)/earnings per share calculation, and the weighted average of 927,048 (30 June 2007: 111,954,262) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options and warrants, and the deemed conversion of all convertible preferred shares during the period.

11. ACCOUNTS RECEIVABLE

The Group normally allows credit terms to well-established customers ranging from 30 to 90 days. Efforts are made to maintain strict control over outstanding receivables and overdue balances are reviewed regularly by senior management. 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, is as follows:

	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
1 to 3 months	**759,922**	1,097,385
4 to 6 months	**4,980**	17,223
7 to 12 months	**22,251**	36,930
Over 12 months	**12,817**	23,716
	799,970	1,175,254
Impairment allowance	**(18,660)**	(16,827)
	781,310	1,158,427

12. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	Note	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
Cash and bank balances			
Continuing operations		**541,943**	1,513,620
Discontinued operation, trading	4(b)	**11,938**	–
		553,881	1,513,620
Deposits, pledged as security for trading facilities			
Continuing operations		**486,393**	597,184
Discontinued operation, trading	4(b)	**106,760**	–
		593,153	597,184
Total		**1,147,034**	2,110,804
Less:			
Deposits, pledged as security for trading facilities, with original maturities of more than three months			
Continuing operations		**48,666**	32,836
Discontinued operation, trading		**–**	–
		48,666	32,836
Cash and cash equivalents			
Continuing operations		**979,670**	2,077,968
Discontinued operation, trading	4(c)	**118,698**	–
		1,098,368	2,077,968

13. ACCOUNTS AND BILLS PAYABLE

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, was as follows:

	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
1 to 3 months	**817,420**	870,357
4 to 6 months	**3,135**	15,561
7 to 12 months	**2,618**	19,428
Over 12 months	**1,391**	7,807
Total	**824,564**	913,153

Notes to the Consolidated Financial Statements

14. RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Share grant reserve HK$'000	Hedging reserve HK$'000	Asset revaluation reserve HK$'000	Foreign currency translation reserve HK$'000	Retained profit/(loss) HK$'000	Total HK$'000
At 1 January 2008 (Audited)	**1,888,650**	**18,261**	**11,465**	**–**	**(5,812)**	**57,399**	**77,321**	**864,305**	**2,911,589**
Share option expenses	**–**	**–**	**8,303**	**–**	**–**	**–**	**–**	**–**	**8,303**
Share grant expenses	**–**	**–**	**–**	**2,223**	**–**	**–**	**–**	**–**	**2,223**
Exchange realignment	**–**	**–**	**–**	**–**	**–**	**–**	**88,378**	**–**	**88,378**
Change in fair value on cash flow hedge	**–**	**–**	**–**	**–**	**(2,522)**	**–**	**–**	**–**	**(2,522)**
Exercise of share options	**97**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**97**
Reserves of discontinued operation, trading	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**192,669**	**192,669**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(287,817)**	**(287,817)**
At 30 June 2008 (Unaudited)	**1,888,747**	**18,261**	**19,768**	**2,223**	**(8,334)**	**57,399**	**165,699**	**769,157**	**2,912,920**
At 1 January 2007 (Audited)	1,004,602	18,261	9,627	–	8,434	44,204	23,115	892,016	2,000,259
New shares	281,454	–	–	–	–	–	–	–	281,454
Issuance expenses	(37,537)	–	–	–	–	–	–	–	(37,537)
Share option expenses	–	–	3,675	–	–	–	–	–	3,675
Exchange realignment	–	–	–	–	–	–	18,035	–	18,035
Change in fair value on cash flow hedge	–	–	–	–	1,968	–	–	–	1,968
Profit for the period	–	–	–	–	–	–	–	151,713	151,713
At 30 June 2007 (Unaudited)	1,248,519	18,261	13,302	–	10,402	44,204	41,150	1,043,729	2,419,567

15. CONVERTIBLE PREFERRED SHARES

On 28 March 2007, Warburg Pincus Private Equity IX, L.P. and Warburg Pincus (Bermuda) Private Equity IX, L.P. (collectively known as "Warburg Pincus") invested US$175 million into the Group:

a) Through its subscription of the Company's shares and warrants comprising of (i) 526.3 million ordinary shares of the Company at HK$0.521 per share; (ii) 555 million of the Company's convertible 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 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

b) In Titan Group Investment Limited ("TGIL"), a jointly controlled entity of the Group, which together with its subsidiaries, owned the Group's oil storage terminal operations in Mainland China, through its (i) subscription of TGIL's preferred shares of US$100 million which are convertible into TGIL's ordinary shares and (ii) TGIL's 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's preferred shares will immediately, after such subscription, equal to 50.1% of the aggregate number of TGIL's ordinary shares and TGIL's preferred shares then in issue.

The ordinary shares of the Company are reflected in the issued share capital and share premium. The fair value of the liability portion of the preferred shares was estimated at the issuance date, which amounted to HK$539 million (31 December 2007: HK$502 million). The residual amount of HK$76 million (31 December 2007: HK$76 million) of the preferred shares of the Company, and HK$518 million (31 December 2007: HK$518 million) of TGIL's preferred shares 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.

16. COMMITMENTS

	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
Capital contribution commitments for subsidiaries and associates in Mainland China	**426,723**	792,453
Commitments for construction of oil berthing and storage facilities in jointly controlled entities and associates in Mainland China	**309,626**	291,064
Commitment for shipbuilding facilities in Mainland China	**807,544**	327,675
	1,543,893	1,411,192

Notes to the Consolidated Financial Statements

17. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
Within a year	**9,060**	2,160
From second to fifth years, inclusive	**31,385**	7,734
	40,445	9,894

(b) As lessee

The Group leases certain vessels and 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 land and 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:

	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
Vessels		
Within a year	**226,895**	306,154
From second to fifth years, inclusive	**188,649**	289,041
	415,544	595,195
Leasehold land and buildings		
Within a year	**19,379**	9,516
From second to fifth years, inclusive	**27,254**	13,148
	46,633	22,664
	462,177	617,859

18. CONTINGENT LIABILITIES

At 30 June 2008,

- Guarantees aggregating HK$5,222 million (31 December 2007: HK$6,163 million) were given by the Company to banks in connection with banking facilities granted to subsidiaries. An amount of HK$1,835 million (31 December 2007: HK$2,674 million) of the facilities had been utilized by subsidiaries of the Company.

- Guarantees aggregating HK$94 million (31 December 2007: HK$226 million) were given by the Company to suppliers in connection with the bunker refueling businesses. An amount of HK$27 million (31 December 2007: HK$172 million) had been utilized 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 30 June 2008 and 31 December 2007.

19. RELATED PARTY TRANSACTIONS

In addition to the information already disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties in the Group's normal course of business:

a) Tenancy agreement with Titan Oil Pte Ltd ("Titan Oil")

During the period, the Group paid total rent of HK$1.8 million (30 June 2007: HK$0.5 million) for office premises to Titan Oil, the Group's ultimate holding company, which was charged based on prevailing market rentals.

b) Management income

During the period, a subsidiary of the Group received management income of HK$0.4 million (30 June 2007: Nil) from a related company of the Group.

c) Contract to build vessels

As at 31 December 2007, the shipbuilding subsidiary of the Group had a contract with Titan Oil to build 12 vessels for a total contract sum of HK$1,080 million. As at 30 June 2008, a sum of HK$393 million (31 December 2007: HK$330 million) had been received as deposits. There was no new contract signed during the current financial period.

d) Bank guarantee

As at 30 June 2008, in connection with bank loans granted to jointly controlled entities in Mainland China, certain related companies of the Group:

- provided a corporate guarantee to a bank amounting to HK$22.7 million (31 December 2007: HK$21.3 million).

19. RELATED PARTY TRANSACTIONS (Continued)

e) Other transactions with related parties

As at 30 June 2008, there were advances (to)/from certain related companies of the Group which are unsecured, interest-free and have no fixed term of repayment as follows:

	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
Amounts due from related companies of the Group	6,189	–
Amounts due to related companies of the Group	(15,987)	–
	(9,798)	–

20. POST BALANCE SHEET EVENTS

a) Shipyard

On 5 August 2008, the Group signed an agreement with Kawasaki Kisen Kaisha ("K Line") for K Line to purchase notes for US$25 million (HK$195 million), which, prior to 31 March 2013, are exchangeable for up to 5% of the issued share capital of one of its subsidiaries — Titan TQSL Holding Company Limited, which holds Titan Quanzhou Shipyard Co Ltd in Mainland China.

Titan Quanzhou Shipyard Co Ltd and K Line also signed a strategic alliance agreement under which K Line will appoint Titan Quanzhou Shipyard Co Ltd as its primary ship repair partner in Mainland China and, accordingly, K Line agreed to provide the shipyard a specified minimum volume of ship repair business. This agreement was for an initial term of ten years and thereafter to be renewed for successive five-year terms.

This transaction constituted a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules. Further details in relation to the transaction are set out in a Company announcement dated 5 August 2008.

b) Disposal of vessels

- *Titan Aries*

  On 4 August 2008, Titan Aries Pte Ltd, an indirect wholly-owned subsidiary of the Group, entered into a memorandum of agreement pursuant to which Titan Aries Pte Ltd agreed to sell its vessel, Titan Aries, to an independent third party for a consideration of HK$293 million (US$37.5 million). This transaction, as and when is concluded, will result in an estimated loss on disposal of HK$92 million.

  This transaction constituted a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules. Further details in relation to the transaction are set out in a Company announcement dated 5 August 2008.

- *Titan Pisces*

  On 13 August 2008, Titan Pisces Pte Ltd, an indirect wholly-owned subsidiary of the Group, entered into a memorandum of agreement pursuant to which Titan Pisces Pte Ltd agreed to sell its vessel, Titan Pisces, to an independent third party for a consideration of HK$318 million (US$40.8 million). This transaction, as and when is concluded, will result in an estimated loss on disposal of HK$110 million.

  This transaction constituted a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules. Further details in relation to the transaction are set out in a Company announcement dated 14 August 2008.

CAPITAL STRUCTURE AND LIQUIDITY

The Group finances its operations largely through internally generated resources, term loans and trade finance facilities provided by banks in Hong Kong, Singapore and Mainland China. As at 30 June 2008,

a) The Group had

- Cash and bank balances of HK$554 million (31 December 2007: HK$1,514 million) and pledged deposits of HK$593 million (31 December 2007: HK$597 million). These comprised of
  - — an equivalent of HK$439 million (31 December 2007: HK$1,213 million) denominated in US dollars
  - — an equivalent of HK$15 million (31 December 2007: HK$11 million) denominated in Singapore dollars
  - — an equivalent of HK$682 million (31 December 2007: HK$874 million) in RMB
  - — HK$11 million (31 December 2007: HK$13 million) in Hong Kong dollars
- Interest-bearing bank loans of HK$2,923 million (31 December 2007: HK$3,060 million), of which HK$1,430 million (31 December 2007: HK$1,698 million) were floating rate loans denominated in US dollars. HK$1,024 million of the Group's bank loans at 30 June 2008 had maturities within one year.

b) The Group's banking and other facilities were secured or guaranteed by

- Cash deposits of HK$593 million (31 December 2007: HK$597 million)
- Deposits of HK$18 million held in a collateral account (31 December 2007: HK$14 million)
- Vessels with an aggregate net carrying value of HK$1,094 million (31 December 2007: HK$1,626 million)
- Prepaid land lease payments with an aggregate net carrying value of HK$923 million (31 December 2007: HK$372 million)
- Oil storage facilities with carrying value of HK$547 million (31 December 2007: HK$490 million)
- Construction in progress with a net carrying value of HK$122 million (31 December 2007: HK$151 million)
- Inventories with carrying value of HK$819 million (31 December 2007: HK$872 million)
- Personal guarantees executed by a director of the Company
- Corporate guarantees executed by the Company
- Corporate guarantee executed by a related company

c) The fixed rate guaranteed senior notes (the "Notes") of HK$3,140 million (31 December 2007: HK$3,135 million) were secured by shares of certain subsidiaries.

d) The Group had

- Current assets of HK$6,241 million (31 December 2007: HK$5,531 million). Total assets of HK$13,289 million (31 December 2007: HK$12,775 million)
- Total bank loans of HK$2,923 million (31 December 2007: HK$3,060 million)
- Finance lease payables of HK$0.9 million (31 December 2007: HK$1 million)
- The Notes of HK$3,140 million (31 December 2007: HK$3,135 million)
- Convertible preferred shares as non-current liability to the extent of the liability portion of HK$538 million (31 December 2007: HK$502 million).

The Group's current ratio was 1.28 (31 December 2007: 1.37). The gearing of the Group, calculated as the total bank loans, finance lease payables and the Notes to total assets, has improved to 0.46 (31 December 2007: 0.49).

e) The Group operates in Hong Kong, Singapore and Mainland China. As its business contracts are mostly settled in US dollars and its reporting currency is Hong Kong dollars, the directors consider that the Group has no significant exposure to foreign exchange, except for currency translation risk on the net assets in foreign operations, in particular Mainland China.

During the period, the Group entered into interest rate swap contracts and oil price swap contracts to hedge exposures on fluctuations in interest rates and commodity prices. The Group did not use any financial instruments for speculative purposes.

EMPLOYEES

As at 30 June 2008, the Group had approximately 1,003 permanent employees (31 December 2007: 761) in Singapore, Hong Kong and Mainland China, and approximately 390 (31 December 2007: 516) officers and crew on board its fleet and floating storage units. Remuneration packages including basic salaries, bonuses and benefits in kind are structured by reference to market terms and individual merit and are reviewed on an annual basis based on performance appraisals. Share options are also available for grant to certain employees and directors of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2008, 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.

a) Long positions in ordinary shares of the Company:

Name of director	Capacity	Number of shares	Approximate % of shareholding
Mr. Tsoi Tin Chun	Interest of a controlled corporation/ Interest of spouse	3,810,518,794 (Note 1)	58.86

b) Short positions in ordinary shares of the Company:

Name of director	Capacity	Number of shares	Approximate % of shareholding
Mr. Tsoi Tin Chun	Interest of a controlled corporation	438,836,815 (Note 1)	6.78

c) Interest in associated corporations:

Name of director	Capacity	Associated corporation	Interest in associated corporation	% interest in shareholding
Mr. Tsoi Tin Chun	Interest of corporation controlled by director	Sea Venture Holdings Pte Ltd.	1 share (Long positions) (Note 2)	100
Mr. Tsoi Tin Chun	Interest of corporation controlled by director	Fujian Shishi Titan Sailor Administer Co. Ltd.	US$30,000,000 (Capital contribution) (Note 3)	100

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d) Options outstanding under the share option scheme of the Company:

Name of director	Capacity	Number of underlying shares (options granted)	Approximate % of shareholding
Mr. Patrick Wong Siu Hung	Beneficial owner	20,000,000 (Note 4)	0.31
Mr. Philip Chu Yan Jy	Beneficial owner	3,000,000 (Note 4)	0.05

Note 1: *Mr. Tsoi Tin Chun ("Mr. Tsoi") is deemed to be interested in the shares of 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 ("Titan Shipyard") in the Company as Titan Shipyard 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 ("Vision Jade") in the Company as Vision Jade 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. Ltd. ("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 ordinary shares of the Company were granted on 1 February 2008 pursuant to the share option scheme adopted by the Company on 31 May 2002.*

Save as disclosed above, at 30 June 2008, 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 Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

SHARE OPTION SCHEME

Movements in the share options during the six months ended 30 June 2008 under the share option scheme adopted by the Company on 31 May 2002 ("Scheme") were set out below.

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 2008	Granted during the period	Lapsed during the period	Exercised during the period	At 30 June 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$
Directors								
Mr. Patrick Wong Siu Hung	–	10,000,000	–	–	10,000,000	1 February 2008	1 February 2010 to 31 January 2015	0.45
	–	10,000,000	–	–	10,000,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
Mr. Philip Chu Yan Jy	–	1,500,000	–	–	1,500,000	1 February 2008	1 February 2010 to 31 January 2015	0.45
	–	1,500,000	–	–	1,500,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	–	23,000,000	–	–	23,000,000			
Other employees (In aggregate)	78,740,000	–	(78,520,000)	(220,000)	–	25 June 2004	25 June 2006 to 25 June 2008	0.45
	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
	18,050,000	–	(3,750,000)	–	14,300,000	20 February 2006	20 February 2007 to 19 February 2012	0.72
	18,050,000	–	(3,750,000)	–	14,300,000	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
	–	68,500,000	(10,900,000)	–	57,600,000	1 February 2008	1 February 2010 to 31 January 2015	0.45
	–	148,500,000	(13,260,000)	–	135,240,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	–	80,000,000	(2,360,000)	–	77,640,000	1 February 2008	1 February 2012 to 31 January 2017	0.45
	–	80,000,000	(2,800,000)	–	77,200,000	1 February 2008	1 February 2013 to 31 January 2018	0.45
	137,340,000	377,000,000	(115,340,000)	(220,000)	398,780,000			
Others (In aggregate)	29,600,000	–	(29,600,000)	–	–	25 June 2004	25 June 2006 to 25 June 2008	0.45
	166,940,000	400,000,000	(144,940,000)	(220,000)	421,780,000			

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

Options granted on 21 September 2005 were vested to the grantee 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 on 20 September 2005 was HK$0.68.

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% were 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 on 17 February 2006 was HK$0.72.

Options granted on 24 April 2007 are vested to grantees in two tranches. 50% of such options were 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 on 23 April 2007 was HK$0.70.

Options granted on 1 February 2008 are vested to grantees in four tranches. 20% of such options will be vested on 1 February 2010 with an exercise period from 1 February 2010 to 31 January 2015; 40% of such options will be vested on 1 February 2011 with an exercise period from 1 February 2011 to 31 January 2016; 20% of such options will be vested on 1 February 2012 with an exercise period from 1 February 2012 to 31 January 2017 and 20% of such options will be vested on 1 February 2013 with an exercise period from 1 February 2013 to 31 January 2018. The closing price of the Company's shares on 31 January 2008 was HK$0.435.

The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$0.465.

** *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.*

*** *These were options held by Mr. Barry Cheung Chun Yuen who ceased to be a director but remained as an employee of the Company.*

SHARE SUBSCRIPTION PLAN

The Company adopted a new Share Subscription Plan on 1 February 2008 (the "Plan") under which the Board shall select eligible persons for participation in the Plan and determine the number of shares to be granted ("Award Shares"). Award Shares will be allotted and transferred at no cost to the eligible persons (subject to and in accordance with the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules")) on the relevant vesting date subject to the conditions specified under the Plan.

On 1 February 2008, 50,000,000 Award Shares were granted to certain employees with vesting periods starting from the second anniversary until the fifth anniversary of the date of approval of the grant by the Board. No Award Shares were vested or lapsed during the period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" and "Share Option Scheme" above, at no time during the period 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 directors to acquire such rights in any other body corporate.

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

At 30 June 2008, 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:

a) Long positions:

Name	Capacity	Number of shares and underlying shares	Approximate % of shareholding
Ms. Tsoi Yuk Yi	Interest of spouse/ Interest of a controlled corporation	3,810,518,794 (Note 1)	58.86
Titan Oil	Interest of a controlled corporation/ Beneficial owner	3,258,671,631 (Note 2)	50.34
Great Logistics	Beneficial owner	2,849,060,202 (Note 3)	44.01
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
Titan Shipyard	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

b) Short positions:

Name	Capacity	Number of shares and underlying shares	Approximate % of shareholding
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 is beneficially and wholly owned by Mr. Tsoi, Ms. Tsoi is deemed to be interested in the shareholding interests of Titan Shipyard in the Company. Ms. Tsoi is also deemed to be interested in the shareholding interests of Vision Jade in the Company as a result of her shareholding in Vision Jade.*

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., Warburg Pincus Partners LLC, Warburg Pincus IX, LLC and Warburg Pincus Private Equity IX, L.P. have 100% control over Saturn Petrochemical Holdings Limited, Warburg Pincus & Co., 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 30 June 2008, no person, other than the directors and the chief executive of the Company whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had an interest or short positions 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

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. The Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices ("CG Code") contained in the Appendix 14 of the Listing Rules during the six months ended 30 June 2008, except for the deviations set out below.

As required under code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Following the senior management realignments announced on 3 January 2008, Mr. Tsoi Tin Chun, Chairman of the Board, also took up the role of the Group's 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. The Board will periodically review the effectiveness of this arrangement and take any appropriate action should circumstance require.

Moreover, pursuant to code provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting of the Company. Due to business meeting commitments overseas, Mr. Tsoi Tin Chun was unable to attend the annual general meeting of the Company held on 5 June 2008. Mr. Barry Cheung Chun Yuen, *JP*, the former Deputy Chairman of the Board, chaired the annual general meeting in accordance with the provisions of the Company's Bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as the Company's code of conduct regarding director securities transactions. Having made specific enquiries of the directors, all directors confirmed that they have complied with the Model Code throughout the period.

AUDIT COMMITTEE

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

The audit committee has reviewed the Group's unaudited consolidated financial statements for the period ended 30 June 2008 and is satisfied that such statements comply with the applicable accounting standards, the Listing Rules and other reporting requirements, and that adequate disclosures have been made.

REVIEW OF INTERNAL CONTROL SYSTEMS AND PROCEDURES

Following the internal audits of its financial management and trading management areas in 2007, the Company has engaged PricewaterhouseCoopers to undertake the internal audit function and an internal audit program for the years from 2008 to 2010 has been proposed and accepted. Work on the program will start in the second half of 2008. Management continues to develop and implement improvements to strengthen the Group's internal controls. The next audit areas identified on a priority bases, will be in respect of the shipyard and oil storage operations in Mainland China, reflecting the Group's future strategic focus.