Titan Petrochemicals Group Limited

Stock Code: 1192

Interim Report 2009

CORPORATE INFORMATION

Directors

Executive Directors

Tsoi Tin Chun, *Chairman & Chief Executive*
Patrick Wong Siu Hung

Independent Non-executive Directors

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

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

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
Hong Kong

Principal Bankers

The Royal Bank of Scotland
Bank of China
China CITIC Bank
China Construction Bank
China Merchants Bank
DBS Bank Ltd
Industrial and Commercial Bank of China
Malayan Banking Berhad
Shenzhen Development Bank
United Overseas Bank Ltd

Auditors

Ernst & Young

Solicitors

Richards Butler in association with Reed Smith LLP
Skadden, Arps, Slate, Meagher & Flom LLP
TSMP Law Corporation
Conyers, Dill & Pearman
Holman Fenwick Willan
AllBright Law Offices

Principal Registrars

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM11
Bermuda

Hong Kong Branch Registrars

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

Website

www.petrotitan.com

Stock Code

1192

FINANCIAL HIGHLIGHTS

HK$ Million	1H 2009	1H 2008	*Change %
Continuing operations			
Revenue	**770**	5,471	(86)
Profit/(Loss) before tax	**(53)**	18	N/A
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**252**	393	(36)
Loss attributable to shareholders	**(54)**	(288)**	81

* % change is computed based on amounts in HK$ million

** Includes loss from the discontinued operation, oil trading of HK$304 million.

Business Highlights

- **Storage businesses outperformed expectations in challenging market conditions with revenues rising 140% year-on-year and operating EBITDA increasing to HK$157 million**
- **All VLCCs deployed to FSU operations to capture better market opportunities**
- **Nansha Phase II successfully completed and chemical storage facility starts operations**
- **In July 2009, Warburg Pincus invested a further US$20 million, and thereby strengthening our cash position in the storage businesses**

CHAIRMAN'S STATEMENT

While the worst of the financial tsunami of 2008 appears to be over, the economic environment remains challenging for all of the Group's businesses, with the exception of our storage operations. Both our offshore and onshore storage businesses outperformed all other business segments to show a combined 140% growth in revenues. This helped to hold down the Group's loss after tax to HK$54 million for the first half of 2009.

The tanker market continued to be very weak with an oversupply of tonnage and slow demands from charterers which in turn, has affected our transportation and ship building businesses. In view of this, Titan deployed its two remaining VLCCs (very large crude carriers) from shipping to our FSU operations in the second quarter to capture much better returns in the stable storage market while as the same time, optimizing utilization of the vessels. The Group also continues to rationalize assets to improve liquidity as evidenced by the sale of the single-hull VLCC ("Titan Gemini"), as announced in August 2009.

In July 2009, Titan and Warburg Pincus, our joint venture partner, agreed on a proposed financing arrangement of HK$312.6 million (US$40.1 million) for the China StorageCo, which holds all three of Titan's terminal projects in the mainland. The financing will help fund expansion of the facilities to a total combined capacity of 2.6 million cubic meters, and position the Group to take further advantage of rising demand in the southern and eastern coastal regions in China for high quality independent storage and distribution services with high safety standards.

We announced recently on 31 July 2009, the appointment of Goldman Sachs (Asia) L.L.C. to advise Titan on a strategic review of available capital structure alternatives. While we have not yet announced any specific and/or confirmed plans from this exercise, we hope the results will ultimately benefit the Group and pave the way to funding our longer term business plans in China.

Results

The Group's revenue for the first six months of 2009 was HK$770 million, a decrease of 86% over the same period in 2008. For continuing operations, EBITDA decreased from HK$393 million to HK$252 million, while operating results decreased to a loss of HK$53 million compared to a profit of HK$36 million in the first half last year.

The loss attributable to shareholders was HK$54 million, compared to a loss of HK$288 million in the first half of 2008. The Board has decided not to declare any dividends.

Business Review

Shipyard

Revenues for the Titan Quanzhou Shipyard for the period dropped 79% to HK$74 million and segment EBITDA was reduced by 19% to HK$18 million, as compared to the first half of 2008. During the first six months of the year, the shipbuilding operation delivered two vessels, both being 7,000 deadweight ton (dwt) bunker/transportation dual purpose tankers. It is also in the process of building another eight vessels, of which three have been launched during the period. The vessels being built are comprised of four 7,000 dwt bunker/transportation dual purpose tankers and four 9000 dwt chemical tankers.

Storage — Offshore

In the first half of 2009, revenues from the Group's offshore or floating storage unit (FSU) storage operations, in Malaysian waters near Singapore, increased 124% to HK$195 million and segment EBITDA increased 5.0% to HK$103 million, owing to the healthy demand in the storage market.

The Group's FSU operations increased from four units at the start of January 2009 to five units as of end June 2009. This gave rise to an increase of 8% in average FSU capacity to 976,000 cubic meters in the first half 2009, compared to the first half last year. The change in capacity was due to the deployment of two VLCCs from shipping in the second quarter, while at the same time, another FSU vessel underwent dry-docking.

During the period, Titan successfully received designation for a second FSU as an approved delivery point for inclusion into the Platts Fuel Oil Assessments.

Storage — Onshore

Revenues for Titan's China terminals increased 193% to HK$74 million and segment EBITDA improved 155% to HK$54 million for the first six months of this year.

Our flagship facility in Nansha performed well, recording an average monthly utilization of 79.5% over the six-month period, compared to 53% for the first half of 2008. This rate was achieved in spite of a 44% increase in capacity for 2009 as a result of the additional Phase II fuel oil tanks that came on stream at the end of 2008.

The remaining 125,300-cubic-meter chemical storage segment of Nansha Phase II was completed in the second quarter 2009, and commenced operations with its first shipment in late June this year. Nansha Terminal now has a total capacity of 715,300 cubic meters comprised of 590,000 cubic meters of fuel oil storage and 125,300 cubic meters of chemical storage.

In the first six months, the Shanghai Futures Exchange approved a further 100,000 cubic meters of fuel oil tanks in Titan's Nansha facility as physical delivery terminals, which brings the total to 150,000 cubic meters to be used for the settlement of fuel oil futures contracts.

At the Fujian facility, average monthly utilization improved from 24% to 63.5% for the first half of 2009. This is based on 90,000 cubic meters of chemical storage capacity, which increased as a result of converting 30,000 cubic meters of diesel oil tank storage to chemicals, a strategy which has paid off in terms of driving up utilization and increasing revenues.

Phase I of the Shanghai Yangshan Petrochemical Terminal, consisting of 420,000 cubic meters of storage capacity, started operations near the end of 2008. The facility has received favorable response from customers and has signed on long term leases for part of its capacity.

Transportation and Supply/Distribution

The VLCC market was severely depressed for the first six months this year with average Worldscale (WS) rates for the Middle East — Far East route drastically dropping from WS150 in the same period last year to WS44.6 for the first six months of 2009. Hence, in the second quarter this year, the Group deployed all VLCCs to FSU operations to ensure optimal utilization of the vessels. As a result, Titan's transportation operations now consist mainly of our coastal tanker trade. Revenues consequently were much lower at HK$192 million, a decline of 81% compared to the same period last year, and segment EBITDA decreased by 95% to HK$15 million.

At the end of 30 June this year, Titan's transportation fleet capacity stood at 57,119 dwt comprised of eight single-hulled coastal tankers owned by the Group.

Revenues for the supply/distribution business in the first half of 2009 dropped 94% to HK$234 million due to the significant scale down of this business. Segment EBITDA excluding the discontinued operation was lower at HK$18 million compared to HK$30 million from the same period last year.

Financial Resources

The Group's cash position was higher at HK$815 million at 30 June 2009 compared to HK$594 million at 31 December 2008, and gearing stood at 0.55, compared to 0.51 six months ago.

Outlook

The second half of 2009 is not expected to bring much improvement in the economic landscape for the Group. Although our onshore storage business has enjoyed promising growth in all of our China terminals, the scale of our combined capacity is still relatively small. At the current total of 1.225 million cubic meters, the Group has only built out about 20% of the ultimate planned capacity of all three terminals. This includes the newly launched Nansha chemical storage facility, which is typically expected to pick up business at a slower pace than the oil storage operations.

Chairman's Statement

Prospects for new shipbuilding orders continue to weaken in the current environment, and going forward, Titan will continue to rely heavily on its offshore storage business for revenue and earnings.

The VLCC market is not expected to improve in the second half and Titan will continue to use its VLCCs for FSU operations. We will closely monitor the secondary sale and purchase markets for tankers and may continue to dispose of vessels if and when good opportunities arise.

Shipyard

In the second half of 2009, the yard will continue building the eight vessels on order and is scheduled to deliver at least three more ships during this period. While focusing on the build-out of the ship repair and other facilities, the Shipyard will, in the meantime, look to secure minor afloat repair operations since we now have Phase One of the facilities completed. Titan is targeting for construction of the repair yard to be completed fully before the end of 2010.

Storage — Offshore

In July 2009, the Group chartered another VLCC to boost its FSU capacity and increase business. In an FSU market dominated by smaller independent operators, Titan is the market leader with six FSUs in operation, of which four units have been leased out on a long term basis to major companies. We are also in the process of getting final approval for another FSU to be a designated Platts' approved delivery point, in addition to our existing two FSUs. This again will enhance business prospects for our offshore storage operations.

Storage — Onshore

We continue to market the new 125,300 cubic meters of chemical storage in Nansha, as well as striving to further improve overall utilization and pursue more long term lease business for our China terminals.

Due to the different timing for the future development of Nansha, the Group has sub-divided the original Phase III of 1.085 million cubic meters into a new Phase III comprised of 240,000 cubic meters and Phase IV of 845,000 cubic meters. Initial preparation work for construction of the Nansha Phase III's oil storage has started with a target for completion of 80,000 cubic meters of fuel oil storage and 120,000 cubic meters for petroleum products to be operational on or before 2011.

Fujian terminal is scheduled to finish construction of its 100,000 dwt jetty by the end of this year. Work on Phase II has begun and this will eventually add another 330,000 cubic meters of chemical and oil storage capacity, planned for completion in mid 2010.

Due to increasing demand, the Shanghai Yangshan terminal is also going ahead with its Phase II development. This will increase its capacity by another 600,000 cubic meters and is scheduled to be completed by the end of 2010.

Summary

Our focus for the rest of 2009 will be to secure the necessary funding of approximately HK$2 billion to fulfill our capital and other commitments to develop our ship repair yard and expand our China terminals. This funding is crucial to the ongoing success of Titan as the shipyard and China storage business are our core businesses and key drivers for future growth and sustainability.

In addition, we will continue to further strengthen Titan's financial position as we began doing last year.

The encouraging growth in our storage business in such difficult economic conditions validates Titan's earlier decision to move away from the volatile businesses it was engaged in and focus on the storage and ship repair businesses, which are expected to give improved stability and growth in earnings in the long run.

While Titan faces challenges in obtaining the necessary funding to complete the build-out of its ship repair facility, I am confident that a breakthrough can be achieved in the near future, which will allow the Group to successfully execute its strategic investments in the onshore storage and shipyard businesses.

Tsoi Tin Chun
Chairman & Chief Executive

Hong Kong, 4 September 2009

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

ERNST & YOUNG
安 永

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 6 to 27 which comprises the consolidated statement of financial position of Titan Petrochemicals Group Limited as at 30 June 2009 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34. We draw attention to the matters described in note 1 to the interim financial information in relation to the Group's capital and other commitments for the shipyard facilities which require additional financing that has yet to be obtained. This condition indicates the existence of a material uncertainty in relation to the going concern of the Group at the date of the statement of financial position.

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

4 September 2009

CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June 2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
CONTINUING OPERATIONS			
Revenue	5	**769,716**	5,470,853
Cost of sales		**(665,083)**	(5,096,859)
Gross profit		**104,633**	373,994
Other revenue		**125,499**	50,203
General and administrative expenses		**(109,690)**	(157,170)
Finance costs	6	**(177,330)**	(234,230)
Share of profits of associates, net		**3,406**	3,271
Operating profit/(loss) from continuing operations		**(53,482)**	36,068
Loss on disposal of vessels, net		**—**	(6,622)
Restructuring expenses		**—**	(11,700)
Profit/(loss) before tax	7	**(53,482)**	17,746
Tax	8	**(35)**	(5,054)
Profit/(loss) from continuing operations		**(53,517)**	12,692
DISCONTINUED OPERATION			
Loss for the period from the discontinued operation, oil trading	4(a)	**—**	(304,315)
Loss for the period		**(53,517)**	(291,623)
Attributable to:			
Equity holders of the Company		**(53,837)**	(287,817)
Minority interests		**320**	(3,806)
		(53,517)	(291,623)
Dividends	9	**—**	—
Earnings/(loss) per share attributable to equity holders of the Company	10		
Total			
Basic		**(HKcts 0.83)**	(HKcts 4.45)
Diluted		**N/A**	(HKcts 4.45)
Continuing operations			
Basic		**(HKcts 0.83)**	HKcts 0.25
Diluted		**N/A**	HKcts 0.25
Discontinued operation, oil trading			
Basic		**—**	(HKcts 4.70)
Diluted		**—**	(HKcts 4.70)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period	**(53,517)**	(291,623)
Other comprehensive income/(loss):		
Exchange differences on translating foreign operations	**(716)**	95,473
Loss on cash flow hedges	**—**	(2,522)
Other comprehensive income/(loss) for the period, net of tax	**(716)**	92,951
Total comprehensive loss for the period, net of tax	**(54,233)**	(198,672)
Attributable to:		
Equity holders of the Company	**(54,558)**	(201,961)
Minority interests	**325**	3,289
	(54,233)	(198,672)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**4,572,648**	4,287,826
Prepaid land/seabed lease payments		**919,041**	928,326
Licenses		**36,168**	37,416
Goodwill		**1,103,564**	1,103,564
Interests in associates		**268,231**	264,724
Deposits for construction in progress		**63,727**	180,121
Other deposits		**9,150**	8,200
		6,972,529	6,810,177
Current assets			
Bunker oil		**19,196**	33,782
Inventories		**208,816**	201,964
Accounts and bills receivable	11	**247,532**	224,215
Prepayments, deposits and other receivables		**489,867**	602,976
Contracts in progress		**441,299**	514,992
Pledged deposits and restricted cash	12	**267,487**	230,363
Cash and cash equivalents	12	**547,727**	351,404
		2,221,924	2,159,696
Assets of a disposal group classified as held for sale	4(b)	**—**	29,119
		2,221,924	2,188,815
Current liabilities			
Interest-bearing bank loans		**942,888**	624,539
Accounts and bills payable	13	**370,380**	353,869
Other payables and accruals		**839,075**	1,089,042
Finance lease payables		**—**	403
Excess of progress billings over contract costs		**1,789**	8,294
Tax payable		**17,468**	16,795
		2,171,600	2,092,942
Liabilities of a disposal group classified as held for sale	4(b)	**—**	27,000
		2,171,600	2,119,942
Net current assets		**50,324**	68,873
Total assets less current liabilities		**7,022,853**	6,879,050

Consolidated Statement of Financial Position

	Notes	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Non-current liabilities			
Fixed rate guaranteed senior notes		**2,486,932**	2,621,813
Liability portion of convertible preferred shares	15	**609,115**	573,393
Notes payable	16	**186,933**	194,571
Interest-bearing bank loans		**1,468,881**	1,156,306
Finance lease payables		**—**	319
Deferred tax liabilities		**157,310**	157,367
Vessel deposit received		**2,500**	2,500
		4,911,671	4,706,269
Net assets		**2,111,182**	2,172,781
Equity			
Equity attributable to equity holders of the Company			
Issued capital		**64,739**	64,739
Equity portion of convertible preferred shares	15	**75,559**	75,559
Reserves	14	**1,443,571**	1,490,895
		1,583,869	1,631,193
Contingently redeemable equity in a jointly-controlled entity	15	**517,837**	517,837
Minority interests		**9,476**	23,751
		2,111,182	2,172,781

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital HK$'000	Convertible preferred shares HK$'000	Reserves (note 14) HK$'000	Sub-total HK$'000	Contingently redeemable equity in a jointly-controlled entity HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2009 (Audited)	**64,739**	**75,559**	**1,490,895**	**1,631,193**	**517,837**	**23,751**	**2,172,781**
Loss for the period	**—**	**—**	**(53,837)**	**(53,837)**	**—**	**320**	**(53,517)**
Exchange realignment	**—**	**—**	**(721)**	**(721)**	**—**	**5**	**(716)**
Total comprehensive income/(loss)	**—**	**—**	**(54,558)**	**(54,558)**	**—**	**325**	**(54,233)**
Share option expenses	**—**	**—**	**7,234**	**7,234**	**—**	**—**	**7,234**
Acquisition of minority interest	**—**	**—**	**—**	**—**	**—**	**(14,600)**	**(14,600)**
At 30 June 2009 (Unaudited)	**64,739**	**75,559**	**1,443,571**	**1,583,869**	**517,837**	**9,476**	**2,111,182**
At 1 January 2008 (Audited)	64,737	75,559	2,911,589	3,051,885	517,837	115,487	3,685,209
Loss for the period	—	—	(287,817)	(287,817)	—	(3,806)	(291,623)
Exchange realignment	—	—	88,378	88,378	—	7,095	95,473
Change in fair value on cash flow hedges	—	—	(2,522)	(2,522)	—	—	(2,522)
Total comprehensive income/(loss)	—	—	(201,961)	(201,961)	—	3,289	(198,672)
Share option expenses	—	—	8,303	8,303	—	—	8,303
Share grant expenses	—	—	2,223	2,223	—	—	2,223
Exercise of share options	2	—	97	99	—	—	99
Capital contribution by minority shareholders	—	—	—	—	—	1,671	1,671
At 30 June 2008 (Unaudited)	64,739	75,559	2,720,251	2,860,549	517,837	120,447	3,498,833

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2009 (Unaudited) HK$'000	2008 (Unaudited) HK$'000
Net cash inflow/(outflow) from:			
Operating activities		**(43,290)**	(19,974)
Investing activities		**(450,836)**	(690,135)
Financing activities		**588,916**	(205,445)
Net increase/(decrease) in cash and cash equivalents		**94,790**	(915,554)
Cash and cash equivalents at beginning of period		**442,729**	2,077,968
Effect of foreign exchange rate changes, net		**(24)**	(64,046)
Cash and cash equivalents at end of period		**537,495**	1,098,368
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**397,161**	492,293
Non-pledged time deposits with original maturities of less than three months when acquired		**91,335**	49,651
Bank balances pledged as security for bank facilities		**47,242**	44,336
Time deposits with original maturities of less than three months when acquired, pledged as security for bank facilities		**1,757**	393,390
Cash and bank balances attributable to the discontinued operation, oil trading	4(b)	**—**	118,698
		537,495	1,098,368

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of Titan Petrochemicals Group Limited (the "Company") and its subsidiaries (the "Group") for the six-month period ended 30 June 2009 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 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 (the "Listing Rules").

During the six-month period ended 30 June 2009, the Group incurred a loss attributable to equity holders of the Company in the amount of HK$53,837,000 and as at 30 June 2009, the Group had net current assets of HK$50,324,000 (31 December 2008: HK$68,873,000) and a total net asset value of HK$2,111,182,000 (31 December 2008: HK$2,172,781,000). In addition, the Group has HK$1,674,920,000 (31 December 2008: HK$1,646,676,000) capital and other commitments solely for further development of the new shipyard facilities to be built in several stages which require additional financing that has yet to be obtained. These conditions raise uncertainty about the Group's ability to continue as a going concern. In order to improve the Group's financial position, liquidity and cash flows and to sustain the Group as a going concern, the directors of the Company have taken and/or are in the process of taking measures which include, but are not limited to, the following:

1) Continuing to diversify from the Group's single hulled vessels and maintain a strategy to optimise usage of the remaining vessels by the flexible deployment between our offshore storage and transportation operations.

2) Taken measures to reduce financing costs through the repurchase of certain of its 8.5% fixed rate guaranteed senior notes.

3) Taken various cost control measures to reduce the costs of operations and various general and administrative expenses.

4) Continuing to utilise existing and seek new non-recourse project financing and capital financing arrangements to finance the development of the Group's projects in Mainland China. During the period ended 30 June 2009, the Group has obtained additional loans of RMB223 million for the shipyard. The Group is also in advance stages with various financial institutions to obtain more financing for the continuing development of the shipyard. The Group has also obtained further financing from Warburg Pincus (note 21 (a)) of US$20 million (HK$156 million) for the development of the storage facilities in China.

The directors of the Company consider that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due and, accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis and, as such, the unaudited condensed consolidated interim financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

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 2008 except that the Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs").

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments Disclosures — Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK (IFRIC) — Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
Improvements to HKFRSs (2008)	

Except for the adoption of HKAS 1 (Revised), the adoption of the new and revised HKFRSs which became effective for accounting periods beginning on or after 1 January 2009 has had no material impact on the Group's results of operations and financial position.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The consolidated statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, this standard introduces the consolidated statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

3. SEGMENT INFORMATION

The Group's operating segments are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's operating 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 operating segments. The Group is principally engaged in (a) shipbuilding; (b) provision of logistic services including oil storage and oil transportation; and (c) supply of oil products and provision of bunker refueling services. In 2008, the Group discontinued its oil trading operation per the announcement on 25 June 2008 as detailed in Note 4. The segment information for the first six months of 2008 separately disclose the discontinued operation, oil trading. The following table presents the unaudited revenue and results for the Group's operating segments.

			Provision of logistic services															
			Oil storage															
	Shipbuilding		Offshore		Onshore		Oil transportation		Supply of oil products and provision of bunker refueling services		Continuing operations		Discontinued operation, oil trading		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	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	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue																		
External	73,591	351,722	195,326	87,024	74,380	25,351	192,140	991,558	234,279	4,015,198	769,716	5,470,853	—	2,647,506	—	—	769,716	8,118,359
Intersegment	43,171	—	—	91,374	881	679	22,966	24,250	53,357	328,184	120,375	444,487	—	1,500,052	(120,375)	(1,944,539)	—	—
Total	116,762	351,722	195,326	178,398	75,261	26,030	215,106	1,015,808	287,636	4,343,382	890,091	5,915,340	—	4,147,558	(120,375)	(1,944,539)	769,716	8,118,359
Segment results	(617)	11,987	63,694	65,597	34,389	2,273	(26,458)	225,364	16,635	27,283	87,643	332,504	—	(286,582)	—	—	87,643	45,922
Adjust for:																		
Unallocated items:																		
Interest income and other revenue											113,101	16,388	—	2,488			113,101	18,876
Other expenses											(80,302)	(81,865)	—	—			(80,302)	(81,865)
Share of profit from associates	—	—	—	—	2,822	1,502	—	—	584	1,769	3,406	3,271	—	—			3,406	3,271
											123,848	270,298	—	(284,094)			123,848	(13,796)
Add: Depreciation & amortisation:																		
Attributable to segments	18,295	9,722	39,028	32,255	17,167	17,547	41,652	75,808	969	591	117,111	135,923	—	120			117,111	136,043
Unallocated											11,523	5,437	—	—			11,523	5,437
Operating EBITDA/(LBITDA)	17,678	21,709	102,722	97,852	54,378	21,322	15,194	301,172	18,188	29,643	252,482	411,658	—	(283,974)			252,482	127,684
Loss on disposal of vessels											—	(6,622)	—	—			—	(6,622)
Restructuring expenses											—	(11,700)	—	—			—	(11,700)
EBITDA/(LBITDA)											252,482	393,336	—	(283,974)			252,482	109,362
Depreciation & amortisation											(128,634)	(141,360)	—	(120)			(128,634)	(141,480)
Finance costs											(177,330)	(234,230)	—	(20,257)			(177,330)	(254,487)
Profit/(loss) before tax											(53,482)	17,746	—	(304,351)			(53,482)	(286,605)
Tax											(35)	(5,054)	—	36			(35)	(5,018)
Profit/(loss) after tax											(53,517)	12,692	—	(304,315)			(53,517)	(291,623)

4. DISCONTINUED OPERATION, OIL 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, discontinued its oil trading operation. As such, the Group adopted Hong Kong Financial Reporting Standard No. 5 – Non-current Assets Held for Sale and Discontinued Operations.

As at 31 December 2008, the assets and liabilities related to the discontinued operation, oil trading, have been presented in the consolidated statement of financial position as “Assets of a disposal group classified as held for sale” and “Liabilities of a disposal group classified as held for sale”.

For the six-month period ended 30 June 2008, the results are presented separately in the consolidated income statement as “Loss for the period from the discontinued operation, oil trading”.

(a) Income statement disclosures

		Six months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
	Note	**HK$’000**	HK$’000
Revenue		—	2,647,506
Cost of sales		—	(2,731,384)
Gross loss		—	(83,878)
Vessel charges		—	(169,556)
Administrative expenses and finance costs		—	(50,917)
Operating loss		—	(304,351)
Tax	8	—	36
Loss for the period from the discontinued operation, oil trading		—	(304,315)

4. DISCONTINUED OPERATION, OIL TRADING (continued)

(b) Statement of financial position disclosures

	Note	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Assets of a disposal group classified as held for sale			
Property, plant and equipment		—	14
Accounts receivable		—	9,634
Prepayments, deposits and other receivables		—	7,178
Cash and bank balances	12	—	12,293
		—	29,119
Liabilities of a disposal group classified as held for sale			
Accounts and bills payable		—	24,511
Other payables and accruals		—	2,413
Deferred tax liabilities		—	76
		—	27,000
Net assets of a disposal group classified as held for sale		—	2,119

4. DISCONTINUED OPERATION, OIL TRADING (continued)

(c) Statement of cash flows disclosures

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash outflow from:		
Operating activities	—	(197,852)
Investing activities	—	—
Financing activities	—	—
Net decrease in cash and cash equivalents	—	(197,852)
Cash and cash equivalents at beginning of period	—	316,550
Cash and cash equivalents at end of period	—	118,698

5. REVENUE

Revenue, which is also the Group's turnover, represents the gross income from shipbuilding, gross income from oil storage services, gross freight income from the provision of oil transportation services, net invoiced value of oil products sold (after allowances for returns and trade discounts) and income from the provision of bunker refueling services.

Notes to the Condensed Consolidated Financial Statements

6. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans:		
Wholly repayable within five years	**22,423**	37,085
Not wholly repayable within five years	**38,044**	38,323
Interest on trust receipts, secured	**—**	19,879
Interest on finance lease payables	**19**	32
Interest on fixed rate guaranteed senior notes	**108,408**	137,998
Interest on notes payable	**2,649**	—
Dividends on convertible preferred shares	**35,722**	36,830
Other finance costs	**315**	5,212
	207,580	275,359
Less: Interest capitalised	**(30,250)**	(20,872)
	177,330	254,487
Finance costs of the discontinued operation, oil trading	**—**	(20,257)
Finance costs, continuing operations	**177,330**	234,230

7. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation and amortisation		
Continuing operations	**128,634**	141,360
Discontinued operation, oil trading	**—**	120
Interest income		
Continuing operations	**(3,576)**	(14,759)
Discontinued operation, oil trading	**—**	(2,487)
Gain on repurchase of fixed rate guaranteed senior notes	**(93,667)**	—

8. TAX

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current:		
Charge for the period — overseas	**111**	5,030
Overprovision in prior periods	**—**	(12)
Deferred tax	**(76)**	—
	35	5,018
Credit for the period in respect of the discontinued operation, oil trading	**—**	36
Total tax charge for the period on continuing operations	**35**	5,054

The share of tax attributable to associates amounting to HK$376,000 (period ended 30 June 2008: HK$283,000) is included in "Share of profits of associates, net" on the face of the consolidated income statement.

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:

	2009	2008
Hong Kong	**16.5%**	16.5%
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 arising in Hong Kong during the period (period ended 30 June 2008: Nil).

Singapore

Under Section 13A of the Singapore Income Tax Act, charter and freight income derived from certain Singapore incorporated subsidiaries whose vessels are all sea-going Singapore flagged ships are exempt 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 (period ended 30 June 2008: Nil).

With the Global Trader Program ("GTP") incentive awarded by the Inland Revenue Authority of Singapore, certain qualified income generated during the prior period from the oil trading business of the Group has been charged at the tax concessionary rate of 5%.

8. TAX (continued)

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 at 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 utilised their five-year tax holiday periods will be allowed to continue to enjoy full exemption from a reduction in the income tax rate until expiry of the tax holiday, after which, the 25% standard rate will apply.

9. DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend in respect of the period (period ended 30 June 2008: Nil).

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

Basic earnings/(loss) per share is calculated by dividing the unaudited loss for the period attributable to equity holders of the Company by the weighted average of 6,473,859,010 (30 June 2008: 6,473,798,570) ordinary shares in issue during the period.

In current period, diluted loss per share amount for the period has not been disclosed, as the earn-out shares outstanding during the period had an anti-dilutive effect on the basic loss per share for this period. Also, the exercise prices of the Company's outstanding share options, warrants and convertible preferred shares are higher than the average market price of the Company's ordinary shares during the period and therefore, the Company's outstanding share options, warrants and convertible preferred shares have no dilutive effect on the basic loss per share for the period.

In prior period, diluted earnings/(loss) per share is calculated by dividing the unaudited profit/(loss) for the period attributable to equity holders of the Company by the weighted average number of 6,473,798,570 ordinary shares in issue during the period, as used in the basic earnings/(loss) per share calculation, and the weighted average of 927,048 ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares, which represented share options, warrants and convertible preferred shares, into ordinary shares, during the period.

11. ACCOUNTS AND BILLS 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 and bills receivable, net of provisions as at the statement of financial position date, based on the date of recognition of the sale, is as follows:

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
1 to 3 months	**216,636**	126,616
4 to 6 months	**3,724**	60,534
7 to 12 months	**8,483**	24,231
Over 12 months	**18,689**	12,834
	247,532	224,215

12. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND RESTRICTED CASH

	Note	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Cash and bank balances		**485,537**	422,556
Time deposits		**329,677**	171,504
		815,214	594,060
Less: Amount pledged for bank facilities and restricted cash			
Bank balances		**(88,376)**	(60,319)
Time deposits		**(53,945)**	(70,910)
Time deposits with original maturities of more than three months		**(125,166)**	(99,134)
		(267,487)	(230,363)
		547,727	363,697
Cash and cash equivalents			
Continuing operations		**547,727**	351,404
Discontinued operation, oil trading	4(b)	**—**	12,293
		547,727	363,697

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 statement of financial position date, based on the date of receipt of goods purchased, is as follows:

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
1 to 3 months	**230,334**	260,985
4 to 6 months	**31,615**	67,827
7 to 12 months	**92,135**	15,408
Over 12 months	**16,296**	9,649
	370,380	353,869

Notes to the Condensed 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$'000	Earn-out shares reserve HK$'000	Retained profit/ (Accumulated loss) HK$'000	Total HK$'000
At 1 January 2009 (Audited)	**1,888,747**	**18,261**	**20,815**	**—**	**—**	**57,399**	**185,525**	**52,275**	**(732,127)**	**1,490,895**
Loss for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(53,837)**	**(53,837)**
Exchange realignment	**—**	**—**	**—**	**—**	**—**	**—**	**(721)**	**—**	**—**	**(721)**
Total comprehensive loss	**—**	**—**	**—**	**—**	**—**	**—**	**(721)**	**—**	**(53,837)**	**(54,558)**
Share option expenses	**—**	**—**	**7,234**	**—**	**—**	**—**	**—**	**—**	**—**	**7,234**
Transfer to accumulated loss upon lapse of share options after vesting period	**—**	**—**	**(79)**	**—**	**—**	**—**	**—**	**—**	**79**	**—**
At 30 June 2009 (Unaudited)	**1,888,747**	**18,261**	**27,970**	**—**	**—**	**57,399**	**184,804**	**52,275**	**(785,885)**	**1,443,571**
At 1 January 2008 (Audited)	1,888,650	18,261	11,465	—	(5,812)	57,399	77,321	—	864,305	2,911,589
Loss for the period	—	—	—	—	—	—	—	—	(287,817)	(287,817)
Exchange realignment	—	—	—	—	—	—	88,378	—	—	88,378
Change in fair value on cash flow hedges	—	—	—	—	(2,522)	—	—	—	—	(2,522)
Total comprehensive profit/(loss)	—	—	—	—	(2,522)	—	88,378	—	(287,817)	(201,961)
Share option expenses	—	—	8,303	—	—	—	—	—	—	8,303
Share grant expenses	—	—	—	2,223	—	—	—	—	—	2,223
Exercise of share options	97	—	—	—	—	—	—	—	—	97
At 30 June 2008 (Unaudited)	1,888,747	18,261	19,768	2,223	(8,334)	57,399	165,699	—	576,488	2,720,251

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 comprised 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$0.60 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 subscription of (i) 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. The residual amount of HK$76 million of the preferred shares of the Company and 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. NOTES PAYABLE

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 (approximately HK$195 million) with an interest rate of 1% per annum. Prior to 31 March 2013, at the sole option of the Company, the notes are exchangeable for up to 5% of the issued share capital of one of its subsidiaries, Titan TQSL Holding Company Ltd ("TQSL Holding"), which holds Titan Quanzhou Shipyard Co., Ltd. ("QZ Shipyard") in Mainland China.

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

Change of equity control means (i) the sale of all or substantially all the assets of Titan Shipyard Holdings Limited ("Shipyard Holdings"), TQSL Holding or QZ Shipyard to another person; (ii) any transaction resulting in voting rights of 50% or more of the total voting rights of either Shipyard Holdings, TQSL Holdings or QZ Shipyard being held other than, directly or indirectly, by the Company and Shipyard Holdings; or (iii) the adoption of a plan relating to the liquidation, winding up or dissolution of either Shipyard Holdings, TQSL Holding or QZ Shipyard.

QZ Shipyard and K Line also signed a strategic alliance agreement under which K Line will appoint QZ shipyard as its primary ship repair partner in Mainland China and, accordingly, K Line has agreed to provide the shipyard with ship repair business. This agreement is for an initial term of ten years and thereafter can be renewed for successive five-year terms.

The notes comprised a financial liability at amortised cost and embedded derivatives.

17. COMMITMENTS

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Capital contribution commitments for associates in Mainland China	**68,372**	68,367
Commitments for construction of oil berthing and storage facilities in jointly-controlled entities and associates in Mainland China	**278,402**	306,096
Commitments for shipbuilding and ship repair facilities in Mainland China	**1,674,920**	1,646,676
	2,021,694	2,021,139

18. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases out a vessel and leasehold land and buildings under operating lease arrangements to third parties, negotiated for five years and one year, respectively. The terms of the leases require the charterer/tenant to pay security deposits and provide for periodic rent adjustments according to prevailing market conditions.

As at 30 June 2009, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Vessels		
Within a year	**9,060**	9,060
From second to fifth years, inclusive	**22,325**	26,855
	31,385	35,915
Leasehold land and buildings		
Within a year	**343**	2,647
	31,728	38,562

18. OPERATING LEASE ARRANGEMENTS (continued)

(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 two to five years, and leases for leasehold land and buildings are negotiated for terms ranging from one to twenty years.

As at 30 June 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Vessels		
Within a year	**146,668**	201,330
From second to fifth years, inclusive	**223,951**	87,716
	370,619	289,046
Leasehold land and buildings		
Within a year	**10,883**	11,335
From second to fifth years, inclusive	**16,532**	5,559
Beyond five years	**72,937**	—
	100,352	16,894
	470,971	305,940

19. CONTINGENT LIABILITIES

As at 30 June 2009, the Company gave guarantees aggregating HK$400 million (31 December 2008: HK$3,870 million) to banks in connection with banking facilities granted to certain subsidiaries of the Company. An amount of HK$169 million (31 December 2008: HK$306 million) of the facilities had been utilised by these subsidiaries as at 30 June 2009.

As at 30 June 2009, the Company gave guarantees aggregating HK$39 million (31 December 2008: Nil) to a supplier in connection with the offshore storage businesses.

Other than the contingent liabilities as disclosed above, the Group and the Company had no other material contingent liabilities as at 30 June 2009 and 31 December 2008.

20. RELATED PARTY TRANSACTIONS

In addition to the information already disclosed elsewhere in these unaudited interim 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$1.6 million (period ended 30 June 2008: HK$1.8 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, no management income was received by a subsidiary of the Group from a related company of the Group (period ended 30 June 2008: HK$0.4 million).

As at 30 June 2009, the Group had an amount due from a related company of US$3.1 million (approximately HK$24 million) (31 December 2008: US$1.6 million (approximately HK$12 million)), which is unsecured, interest-free and has no fixed terms of repayment.

c) Build and sale of vessels

As at 30 June 2009, the Group had a net amount due to Titan Oil of HK$118 million (HK$143 million was included in accounts and bills receivable and HK$261 million was included in other payables and accruals) (31 December 2008: HK$279 million) relating to the build-out and sale of vessels to Titan Oil. The amounts are unsecured, interest-free and have no fixed terms of repayment. The sale of vessels to Titan Oil in the current period was HK$71 million (period ended 30 June 2008: HK$358 million).

d) Bank guarantee and land pledged as security

As at 30 June 2009, details of related party transactions related to certain bank loans granted to a jointly-controlled entity and subsidiaries of the Group were shown below:

- a related company provided a corporate guarantee to a bank in connection with a bank loan granted to a jointly-controlled entity and the loan outstanding amount was RMB30 million (approximately HK$34 million) (31 December 2008: RMB30 million (approximately HK$34 million)).

- a director of the Company provided a personal guarantee to a bank in connection with a bank loan granted to a subsidiary and the loan outstanding amount was US$6 million (approximately HK$49 million) (31 December 2008: US$9 million (approximately HK$68 million)).

- certain related companies' land was pledged as security in connection with a bank loan granted to a subsidiary and the loan outstanding amount was RMB100 million (approximately HK$114 million) (31 December 2008: RMB100 million (approximately HK$114 million)).

e) Issue of earn-out shares

As at 31 December 2008, it was determined that TQSL Holding was able to meet the first year target net profit before tax ("NPBT"), and therefore, the Company was obliged to issue the maximum of earn-out shares of 88,601,711 shares entitlement to Titan Oil or the nominees (note 21(b)).

21. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

a) Issuance of China StorageCo notes

On 14 July 2009, the Company, Titan Oil Storage Investment Limited ("TOSIL"), Warburg Pincus and Titan Group Investment Limited ("China StorageCo") entered into an agreement by which TOSIL and Warburg Pincus are entitled to provide, pro rata to their shareholdings in China StorageCo, funding of up to HK$312.6 million (US$40.1 million) to China StorageCo through the subscription of China StorageCo notes.

This transaction constituted a possible major disposal and connected transaction and a possible discloseable transaction of the Company pursuant to Chapters 14 and 14A of the Listing Rules. Further details in relation to the transaction are set out in the Company's announcement dated 14 July 2009.

b) Issue of earn-out shares

According to the shipyard acquisition agreement entered into on 21 September 2007, the Company is obliged to issue earn-out shares to Titan Oil or its nominees when the target NPBT of TQSL Holding are met for 2008, 2009 and 2010. At 31 December 2008, such NPBT was confirmed to have been achieved and on 1 September 2009, the Company issued the committed 88,601,711 earn-out shares to Titan Oil, Vision Jade Investments Limited and Titan Shipyard Investment Company Limited.

If the target NPBT for 2009 and 2010 are met, the Company is obliged to issue further shares of 88,601,711 and 177,203,422, respectively.

c) Disposal of a vessel

On 13 August 2009, the Group entered into a memorandum of agreement to dispose of a vessel to an independent third party for a cash consideration of US$21.4 million (equivalent to approximately HK$167 million) which results in a loss of US$17.6 million (equivalent to approximately HK$137.6 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 the Company's announcement dated 13 August 2009.

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 2009,

a) The Group had

- Cash and cash equivalents of HK$548 million (31 December 2008: HK$351 million), pledged deposits and restricted cash of HK$267 million (31 December 2008: HK$230 million) which were comprised of

  — an equivalent of HK$78 million (31 December 2008: HK$303 million) denominated in US dollars

  — an equivalent of HK$6 million (31 December 2008: HK$12 million) denominated in Singapore dollars

  — an equivalent of HK$726 million (31 December 2008: HK$262 million) in RMB

  — HK$5 million (31 December 2008: HK$4 million) in Hong Kong dollars

- Interest-bearing bank loans of HK$2,412 million (31 December 2008: HK$1,781 million), of which HK$128 million (31 December 2008: HK$227 million) were floating rate loans denominated in US dollars. HK$943 million of the Group's bank loans at 30 June 2009 had maturities within one year.

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

- Cash deposits of HK$174 million (31 December 2008: HK$178 million)
- Vessels* with an aggregate net carrying value of HK$896 million (31 December 2008: HK$928 million), including the vessel disposed of subsequent to the period end as set out in note 21(c)
- Prepaid land/seabed lease payments with an aggregate net carrying value of HK$917 million (31 December 2008: HK$901 million)
- Oil storage facilities* with an aggregate net carrying value of HK$528 million (31 December 2008: HK$539 million)
- Construction in progress* with a net carrying value of HK$521 million (31 December 2008: HK$145 million)
- Contracts in progress with an aggregate net carrying value of HK$323 million (31 December 2008: Nil)
- Several pieces of land owned by related companies
- Shares of a subsidiary
- Personal guarantees executed by a director of the Company
- Corporate guarantees executed by the Company
- Corporate guarantee executed by a related company

* These items are included in "Property, plant and equipment" in the consolidated statement of financial position.

c) The fixed rate guaranteed senior notes of HK$2,487 million (31 December 2008: HK$2,622 million) were secured by shares of certain subsidiaries.

d) The Group had

- Current assets of HK$2,222 million (31 December 2008: HK$2,189 million). Total assets of HK$9,194 million (31 December 2008: HK$8,999 million)

- Total bank loans of HK$2,412 million (31 December 2008: HK$1,781 million)

- No finance lease payables were outstanding at 30 June 2009 (31 December 2008: HK$1 million)

- Fixed rate guaranteed senior notes of HK$2,487 million (31 December 2008: HK$2,622 million)

- Convertible preferred shares as a non-current liability to the extent of the liability portion of HK$609 million (31 December 2008: HK$573 million)

- Notes payable as a non-current liability to the extent of the liability portion of HK$201 million (31 December 2008: HK$198 million).

The Group's current ratio at 30 June 2009 was 1.02 (31 December 2008: 1.03). The gearing of the Group, calculated as the total bank loans, finance lease payables, fixed rate guaranteed senior notes and notes payable to total assets, has increased to 0.55 at 30 June 2009 (31 December 2008: 0.51).

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 risks on the net assets in foreign operations, in particular Mainland China. The Group has not used any financial instruments for speculative purposes during the period.

EMPLOYEES

As at 30 June 2009, the Group had approximately 862 employees (31 December 2008: 954) of which approximately 766 (31 December 2008: 849) employees work in Mainland China, and 96 employees (31 December 2008: 105) are based in Singapore and Hong Kong. As at 30 June 2009, the Group also had 459 officers and crew on board vessels under its operating control (31 December 2008: 18). 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 granted to certain employees of the Group.

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

At 30 June 2009, 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 shares	Approximate % of shareholding
Mr. Tsoi Tin Chun	Interest of controlled corporations/ Interest of spouse	3,822,158,794 (Note 1)	59.04

Short positions in ordinary shares of the Company:

Name of director	Capacity	Number of shares	Approximate % of shareholding
Mr. Tsoi Tin Chun	Interest of controlled corporations	2,397,721,010 (Note 1)	37.04

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 2)	0.31

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 3)	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 4)	100

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 shares of the Company held by Titan Shipyard Investment Company Limited ("Titan Shipyard") 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: 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.

Note 3: Mr. Tsoi is deemed to be interested in the share of Sea Venture Holdings Pte Ltd. ("Sea Venture") which is 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.

Note 4: Mr. Tsoi is deemed to be interested in the shareholding 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.

Save as disclosed above, at 30 June 2009, none of the directors or the chief executive had registered any interests 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 2009 under the share option scheme adopted by the Company on 31 May 2002 (the "Scheme") were as set out below.

The following share options under the Scheme were outstanding at 30 June 2009:

	Number of share options							
Name or category of participant	At 1 January 2009	Granted during the period	Lapsed during the period	Exercised during the period	At 30 June 2009	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$
Director								
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
	20,000,000	—	—	—	20,000,000			
Other employees								
In aggregate	10,000,000	—	—	—	10,000,000	21 September 2005	21 September 2007 to 20 September 2009	0.68
	12,400,000	—	(175,000)	—	12,225,000	20 February 2006	20 February 2007 to 19 February 2012	0.72
	12,400,000	—	(175,000)	—	12,225,000	20 February 2006	20 February 2008 to 19 February 2013	0.72
	500,000	—	—	—	500,000	24 April 2007	24 April 2008 to 23 April 2013	0.70
	500,000	—	—	—	500,000	24 April 2007	24 April 2009 to 23 April 2014	0.70
	47,250,000	—	(4,200,000)	—	43,050,000	1 February 2008	1 February 2010 to 31 January 2015	0.45
	114,370,000	—	(8,960,000)	—	105,410,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	67,120,000	—	(4,760,000)	—	62,360,000	1 February 2008	1 February 2012 to 31 January 2017	0.45
	65,020,000	—	(5,340,000)	—	59,680,000	1 February 2008	1 February 2013 to 31 January 2018	0.45
	329,560,000	—	(23,610,000)	—	305,950,000			
	349,560,000	—	(23,610,000)	—	325,950,000			

* *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 all such outstanding options lapsed on the expiry of the exercise period. 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 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 were 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% were 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 were 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 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.*

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "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 spouses 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 30 June 2009, 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	Approximate % of shareholding
Ms. Tsoi Yuk Yi	Interest of spouse/ Interest of a controlled corporation	3,822,158,794 (Note 5)	59.04
Titan Oil	Interest of a controlled corporation/ Beneficial owner	3,270,311,631 (Note 6)	50.52
Great Logistics	Beneficial owner	2,860,700,202 (Note 7)	44.19
Saturn Petrochemical Holdings Limited	Beneficial owner	857,795,031	13.25
Warburg Pincus & Co.	Interest of a controlled corporation	857,795,031 (Note 8)	13.25
Warburg Pincus IX, LLC	Interest of a controlled corporation	857,795,031 (Note 8)	13.25
Warburg Pincus Partners LLC	Interest of a controlled corporation	857,795,031 (Note 8)	13.25
Warburg Pincus Private Equity IX, L.P.	Interest of a controlled corporation	857,795,031 (Note 8)	13.25
HSBC Trustee (C.I.) Limited	Trustee	805,119,192	12.43
Titan Shipyard	Beneficial owner	426,796,127 (Note 5)	6.59

Short positions:

Name	Capacity	Number of shares and underlying shares	Approximate % of shareholding
Ms. Tsoi Yuk Yi	Interest of spouse	2,397,721,010 (Note 5)	37.04
Titan Oil	Beneficial owner/ Interest of a controlled corporation	2,397,721,010 (Note 6)	37.04
Great Logistics	Beneficial owner	2,397,721,010 (Note 7)	37.04
Titan Shipyard	Beneficial owner/ Security interest	975,411,883 (Note 5)	15.07

Note 5: 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. Mr. Tsoi is a director of Titan Shipyard. 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 6: 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 7: 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 8: Pursuant to the SFO, as Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus IX, LLC and Warburg Pincus Private Equity IX, L.P. has 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 interests of Saturn Petrochemical Holdings Limited in the Company.

Save as disclosed above, at 30 June 2009, 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, 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

During the period ended 30 June 2009, the Company purchased a number of its 8.5% guaranteed senior notes due 2012 in the aggregate principal amount of US$17,816,000 (approximately HK$138,965,000). The guaranteed senior notes are listed on the Singapore Stock Exchange.

Save as disclosed above, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities during the period.

CORPORATE GOVERNANCE

The Company is committed to maintaining good corporate governance as 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 set out in the Code on Corporate Governance Practices ("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") during the six months ended 30 June 2009, except for 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 performed by the same individual. Currently, Mr. Tsoi Tin Chun, Chairman of the Board, also holds the position of the Group's Chief Executive. He is responsible for and assumes full accountability to the Board for all Group's operations and performance. Although the role of Chairman and Chief Executive are performed by the same person, the President of the Corporate Office, who provides strategic and operational leadership for the Group, 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 26 June 2009. Mr. Patrick Wong Siu Hung, the executive director of the Company, chaired the annual general meeting in accordance with the provision 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 required standard of 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 comprises three independent non-executive directors.

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2009 and is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and other reporting requirements, and that adequate disclosures have been made.