Titan Petrochemicals Group Limited

Stock Code: 1192

Interim Report 2010

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

4902 Sun Hung Kai Centre
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Wanchai
Hong Kong

PRINCIPAL BANKERS

The Royal Bank of Scotland
Bank of China
China Construction Bank
DBS Bank Ltd
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank
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

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HONG KONG BRANCH REGISTRARS

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WEBSITE

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STOCK CODE

1192

FINANCIAL HIGHLIGHTS

HK$ Million	**1H 2010**	1H 2009	*Change %
Revenue	**1,042**	770	35
Loss before tax**	**(741)**	(53)	1,298
Loss attributable to owners of the Company	**(735)**	(54)	1,261

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

** Loss before tax for 1H 2010 included losses on disposals of vessels in the net amount of HK$385 million and 1H 2009 included a gain arising from repurchases of bonds of HK$94 million.

Business Highlights

- **The global market remains extremely challenging for most of the business segments of the Group**
- **The last three single-hulled VLCCs owned by the Group were sold to reduce future risk exposure and to raise cash for liquidity purposes**
- **Conversions of three coastal tankers into double-hulled tankers were completed and now deployed to pursue business not available to single-hulled tankers**
- **Successful completion of the Bond Exchange Offer which helps to preserve the Group's liquidity and strengthen its financial position**
- **One billion ordinary shares were successfully placed to a strategic investor with most of the proceeds utilised to fund the Bond Exchange Offer**

CHAIRMAN'S STATEMENT

As global markets remain volatile, the Group continues to face tough challenges in most of its business sectors. The oversupply of tonnage and slow demand for oil tankers resulted in the weak performance of our transportation and ship building businesses. All three remaining single-hulled Very Large Crude Carriers (VLCCs) were sold to reduce exposure to market risks in this sector and to raise cash in the first half. Although our offshore storage capacity was reduced for a few months, it has been restored as of the end of June after we chartered in three double-hulled vessels as replacements.

Our onshore storage business has performed well and remains profitable, while the rest of our business segments continued to operate amidst difficult market conditions. As a result, the Group reported a HK$735 million loss after tax for the first half of 2010, of which HK$385 million in respect of the vessel sales is non-recurring.

The Group secured support from the majority of the noteholders of its senior notes due 2012 who agreed to exchange the existing notes into debt instruments with a later maturity date which helps the Group to preserve liquidity and improve cash flow. We announced on 21 July 2010 that we have accepted all existing notes validly tendered under the Bond Exchange Offer and on 28 July 2010, the Bond Exchange Offer was successfully concluded. A total of US$209,490,000 of the existing notes were tendered and, in settlement against the tendered notes, the Company issued US$78,728,000 (approximately HK$610,142,000) in convertible notes, and US$14,193,000 (approximately HK$109,996,000) in payment in kind notes, both due in 2015, together with a cash payment of US$43,154,940 (approximately HK$334,451,000). The cash payment was partially funded by the issue of one billion new shares at HK$0.37 each to a strategic investor which was completed on 23 July 2010. The Bond Exchange Offer has resulted in the reduction of the Group's long term debt by approximately HK$900 million. The Group is confident that it will now be able to obtain the financing required for the completion of its shipyard and the flexibility to continue to invest in its onshore storage business. Both the shipyard and onshore storage businesses are expected to provide a solid platform for our future stability and growth.

Results

The Group's revenue for the first six months of 2010 was HK$1,042 million, an increase of 35% over the same period in 2009. Operating losses increased to HK$356 million, excluding the losses on disposals of vessels, compared to a loss of HK$147 million, after exclusion of the gain on the repurchase of bonds in the first half of last year. The resultant loss was attributed to the depressed shipping and shipbuilding markets.

The loss attributable to owners of the Company was HK$735 million, compared to a loss of HK$54 million in the first half of 2009. On this basis, the Board has decided not to declare any interim dividends.

Business Review

Shipyard

Revenues for the Titan Quanzhou Shipyard for the period increased 24% to HK$91 million but segment losses before interest, tax, depreciation and amortisation (LBITDA) of HK$73 million was recorded, compared to segment earnings before interest, tax, depreciation and amortisation (EBITDA) of HK$18 million in the first half of 2009.

During the first six months of the year, the shipbuilding operations delivered two vessels, all being 9,000 deadweight ton (dwt) chemical tankers. The Group is also working with potential customers on the possibility of building another two vessels, both of which are 7,000 dwt bunker/transportation dual purpose tankers.

Construction on the ship repair facility progressed during the period and we expect the earlier phase consisting of two larger dry docks and up to 1,000 meters of repair berths, to be ready for operation by the beginning of 2011.

Offshore Storage (Floating Storage)

With the deployment of all owned VLCCs from the transportation operations to offshore or floating storage units (FSU) operations late in the first half of 2009, the Group had a total capacity of 1,776,000 cubic meters at the beginning of the 2010 period. Following the disposals of the three owned VLCCs in March 2010 and the subsequent leasing of these replacements which are double-hulled in the second quarter of the year, the average FSU capacity was maintained at 1,560,000 cubic meters as compared to 976,000 cubic meters for the same period last year and contributed to the increase in revenue by 66% to HK$324 million.

Lower profit margins were recorded due to higher operating costs arising from the additional charter hires as well as costs incurred in preparing the leased vessels for FSU. As a result, the segment EBITDA decreased by 68% to HK$33 million.

Onshore Storage (China Terminals)

Our onshore storage business remained profitable with support from long-term leases entered into with certain customers. Revenues for Titan's China terminals increased 20% to HK$89 million and segment EBITDA increased 17% to HK$64 million for the first six months of this year.

Our flagship facility in Nansha recorded an overall average monthly utilisation of 68% over the six-month period, compared to 80% for the first half of 2009 due to a reduction in fuel oil storage utilisation. Nansha Terminal has a total operating capacity of 715,300 cubic meters which is comprised of 590,000 cubic meters of fuel oil storage and 125,300 cubic meters of chemical storage. Utilisation rates during the period for the fuel oil storage were 67%, and 72% for the chemical storage.

At the Fujian facility, the average monthly utilisation rate rose from 64% to 90% for the first half of 2010, compared to the same period last year, based on 90,000 cubic meters of Phase I chemical storage capacity. The terminal is expected to complete construction of its 100,000 dwt jetty in the third quarter of this year while the Phase II 330,000 cubic meters product oil and fuel oil storage tanks will be ready by the end of this year. This will allow bigger vessels to load and discharge and, thereby, improve our terminal's competitiveness. The jetty will be very important to the future expansion of the storage capacity at our Fujian facility.

Phase I of the Shanghai Yangshan Petrochemical Terminal, consisting of 420,000 cubic meters of storage capacity, recorded average monthly utilisation of 82% for the period. Construction of Phase II is expected to be finished in the second half of 2010.

Transportation and Supply/Distribution

The Group's transportation operations continued to make losses in the depressed market conditions. These operations are now mainly involved in the coastal tanker trade and revenues for the first half of 2010 decreased 62% to HK$73 million, while the operating loss increased to HK$61 million compared to HK$26 million in the first half of 2009. The fall in revenue was mainly due to the fact that four of our eight coastal tankers were dry-docked for conversion into double-hulled tankers during part of this period, resulting in only four of the vessels being fully operational throughout the period.

As part of the rationalisation of the transportation business (see "Outlook" below), we subsequently sold and delivered two of our tankers in July 2010, the effect of which has been to reduce our current transportation fleet to six coastal tankers and our fleet capacity from 57,119 dwt to 43,316 dwt.

In response to the market's preferential demand for double-hulled vessels, we commenced a programme for the conversion of our fleet into double-hulled vessels during the period. In July 2010, the conversion of three of our coastal tankers, had been completed and resumed operations. We plan to complete conversion of our remaining three coastal tankers during the second half of 2010.

Revenues for the supply/distribution business in the first half of 2010 rose by 98% to HK$465 million, however, segment EBITDA was lower at HK$5 million compared to HK$18 million for the same period last year.

Financial Resources

The Group's cash position was higher at HK$867 million as at 30 June 2010 compared to HK$530 million as at 31 December 2009, and gearing stood at 0.67 compared to 0.60 six months ago.

The success of the Bond Exchange Offer has improved our capital structure by reducing our cash flow burden and extending the maturity profile of our long-term debt. It also gives us the flexibility to invest in the shipyard and onshore storage businesses and we can continue with the realignment plans for our businesses.

Outlook

We do not expect that the second half of 2010 will bring much improvement in the operating environment for the Group. While the shipbuilding market remains soft with a scarcity of new orders, the storage services demand in both the onshore and offshore markets are expected to remain stable and the shipping rates in some niche segments should see some turnaround.

We believe that the timely completion of the expansion and development of our shipyard is vital to our future prospects. We will continue on with the construction work now underway with the objective of full completion in 2011. We expect the first two dry-docks, capable of docking up to 300,000 dwt vessels, to be ready for business at the beginning of 2011.

Titan will remain a key player in the offshore storage market. We took steps to lease in, at appropriate times, three double-hulled VLCCs as replacements for the single-hulled vessels sold. The Group's fleet of FSU are now made up of chartered-in vessels and has been restored to six units, i.e. the same number as at the start of the year although not all of these replacements are fully operational yet. We are now the first provider in Malaysian waters to operate double-hulled FSU which now enables us to provide major oil companies with high quality double-hulled floating storage services.

For the China Terminal business, to further increase utilisation, we will continue to market our existing storage facilities in Nansha Phase I and II with the aims to increase utilisation by both acquiring new customers and also converting spot business to longer term leases. Construction work will meanwhile proceed on Nansha Phase III and Fujian Phase II for target completions in the second quarter of 2011 and the end of 2010, respectively.

We are confident that the Shanghai Yangshan Phase II terminal can commence active operations during second half of this year. Approximately 80% of its 600,000 cubic meter capacity has already been leased out on a long term basis.

With the additional Yangshan capacity, the Group's total combined storage capacity has been increased to 1,825,300 cubic meters, which is approximately 32% of the total planned capacity of all three of its terminals.

The increasing number of restrictions imposed against single-hulled tankers by the main international ports and international oil traders in accordance with the requirements of the International Maritime Organisation prompted the Group to accelerate the conversion of its entire fleet of coastal tankers to double-hulled tankers, and to dispose its owned single-hulled VLCCs, as well as replacing them with double-hulled VLCCs for the offshore storage business. Upon the completion of these strategies, we will be able to widen our business scope and deepen our cooperation with customers.

We plan to add value to our storage services by offering our storage business customers integrated logistics services. We believe that our ability to do so may generate additional demand for both our storage services and transportation services. To this end, we will closely monitor any opportunities to increase our transportation capacity to complement our growing fuel oil and chemical storage capacity. We are cautiously optimistic for an improved performance in this segment of our business.

Summary

We believe that continued growth of the Chinese economy offers significant opportunities for our oil storage business and marine services over the medium and long term. With the successful completion of the Bond Exchange Offer in July, we are now in a much stronger position to secure financing going forward and, at the same time, allows us to maintain the Group's liquidity to fully focus on the development of our core segments and to explore opportunities to cooperate with potential strategic partners which will, in turn, provide a solid platform for future growth.

I would like to thank all shareholders, noteholders, customers and business partners for their support to Titan and, particularly, our employees for their hard work and dedication during these difficult times. While our challenges are not yet over, I am confident that the Group can now focus on the execution of its business plans to deliver positive results for our stakeholders on a longer term basis.

Tsoi Tin Chun
Chairman & Chief Executive

Hong Kong, 23 August 2010

CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June 2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Revenue	4	**1,042,529**	769,716
Cost of sales		**(1,087,569)**	(665,083)
Gross profit/(loss)		**(45,040)**	104,633
Other income		**6,047**	125,499
General and administrative expenses		**(113,844)**	(109,690)
Finance costs	5	**(203,274)**	(177,330)
Share of profits/(losses) of associates, net		**(161)**	3,406
Operating loss		**(356,272)**	(53,482)
Losses on disposals of vessels, net		**(384,671)**	—
Loss before tax	6	**(740,943)**	(53,482)
Tax	7	**5,764**	(35)
Loss for the period		**(735,179)**	(53,517)
Attributable to:			
Owners of the Company		**(735,488)**	(53,837)
Non-controlling interests		**309**	320
		(735,179)	(53,517)
Basic loss per share attributable to ordinary equity holders of the Company	9	**(HK11.20 cents)**	(HK0.83 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period	**(735,179)**	(53,517)
Other comprehensive income/(loss):		
Exchange differences on translation of foreign operations	**14,161**	(716)
Total comprehensive loss for the period, net of tax	**(721,018)**	(54,233)
Attributable to:		
Owners of the Company	**(721,397)**	(54,558)
Non-controlling interests	**379**	325
	(721,018)	(54,233)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**4,564,042**	4,799,417
Prepaid land/seabed lease payments		**979,065**	985,707
Licences		**33,651**	34,899
Goodwill		**1,086,197**	1,086,197
Interests in associates		**370,256**	369,013
Deposits for construction in progress		**173,808**	118,196
Other deposits		**9,150**	9,150
Total non-current assets		**7,216,169**	7,402,579
Current assets			
Bunker oil		**56,437**	23,249
Inventories		**222,975**	407,869
Accounts and bills receivable	10	**363,505**	301,899
Prepayments, deposits and other receivables		**612,265**	424,198
Contracts in progress		**246,718**	356,970
Pledged deposits and restricted cash	11	**280,241**	171,706
Cash and cash equivalents	11	**586,373**	357,825
Total current assets		**2,368,514**	2,043,716
Current liabilities			
Interest-bearing bank loans		**1,023,339**	761,466
Accounts and bills payable	12	**310,237**	217,708
Other payables and accruals		**990,674**	962,513
Tax payable		**11,408**	17,577
Total current liabilities		**2,335,658**	1,959,264
Net current assets		**32,856**	84,452
Total assets less current liabilities		**7,249,025**	7,487,031

Consolidated Statement of Financial Position

	Notes	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Non-current liabilities			
Fixed rate guaranteed senior notes	13	**2,497,071**	2,491,264
Liability portion of convertible preferred shares	14	**682,074**	645,106
Notes payable	15	**188,314**	185,336
Liability portion of convertible unsecured notes	16	**75,341**	68,265
Interest-bearing bank loans		**2,622,801**	2,201,043
Deferred tax liabilities		**157,460**	157,442
Vessel deposit received		**2,500**	2,500
Total non-current liabilities		**6,225,561**	5,750,956
Net assets		**1,023,464**	1,736,075
Equity			
Equity attributable to owners of the Company			
Issued capital	17	**65,710**	65,625
Equity portion of convertible preferred shares	14	**75,559**	75,559
Reserves	18	**355,350**	1,068,425
		496,619	1,209,609
Contingently redeemable equity in a jointly-controlled entity	14	**517,837**	517,837
Non-controlling interests		**9,008**	8,629
Total equity		**1,023,464**	1,736,075

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital HK$'000	Convertible preferred shares HK$'000	Reserves (note 18) HK$'000	Sub-total HK$'000	Contingently redeemable equity in a jointly-controlled entity HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010 (Audited)	**65,625**	**75,559**	**1,068,425**	**1,209,609**	**517,837**	**8,629**	**1,736,075**
Total comprehensive income/(loss)	**—**	**—**	**(721,397)**	**(721,397)**	**—**	**379**	**(721,018)**
Share option expenses	**—**	**—**	**4,022**	**4,022**	**—**	**—**	**4,022**
Exercise of share options	**85**	**—**	**4,300**	**4,385**	**—**	**—**	**4,385**
At 30 June 2010 (Unaudited)	**65,710**	**75,559**	**355,350**	**496,619**	**517,837**	**9,008**	**1,023,464**
At 1 January 2009 (Audited)	64,739	75,559	1,490,895	1,631,193	517,837	23,751	2,172,781
Total comprehensive income/(loss)	—	—	(54,558)	(54,558)	—	325	(54,233)
Share option expenses	—	—	7,234	7,234	—	—	7,234
Acquisition of non-controlling 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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash flows from/(used in):		
Operating activities	**(42,809)**	(43,290)
Investing activities	**(285,324)**	(450,836)
Financing activities	**705,785**	588,916
Net increase in cash and cash equivalents	**377,652**	94,790
Cash and cash equivalents at beginning of period	**393,292**	442,729
Effect of foreign exchange rate changes, net	**6,045**	(24)
Cash and cash equivalents at end of period	**776,989**	537,495
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**583,811**	397,161
Non-pledged time deposits with original maturities of less than three months when acquired	**—**	91,335
Bank balances pledged as security for bank facilities	**83,156**	47,242
Time deposits with original maturities of less than three months when acquired, pledged as security for bank facilities	**110,022**	1,757
Cash and cash equivalents per condensed consolidated statement of cash flows	**776,989**	537,495
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents per condensed consolidated statement of cash flows	**776,989**	537,495
Amounts pledged for banking facilities and restricted cash with original maturities of less than three months when acquired	**(193,178)**	(48,999)
Non-pledged time deposits with original maturities of more than three months when acquired	**2,562**	59,231
Cash and cash equivalents as stated in the consolidated statement of financial position	**586,373**	547,727

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 2010 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 2010, the Group incurred a loss of HK$735,179,000 and as at 30 June 2010, the Group had net current assets of HK$32,856,000 (31 December 2009: HK$84,452,000) and a total net asset value of HK$1,023,464,000 (31 December 2009: HK$1,736,075,000). In addition, as at 30 June 2010, the Group had capital and other commitments of HK$1,101,088,000 (31 December 2009: HK$1,241,065,000) solely for further development of the new shipyard facilities to be built in several stages which require additional financing. These conditions raise uncertainties 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 the offshore storage and transportation operations. During the period ended 30 June 2010, the remaining three owned single hulled VLCCs were disposed for a total cash consideration of US$47.5 million (HK$370.5 million) and were replaced by three charter-in double hulled VLCCs;

2) Improving debt structure and reducing financing costs through a bond exchange offer (the "Bond Exchange Offer") in respect of its 8.5% fixed rate guaranteed senior notes (the "Existing Notes") as set out in note 23(a);

3) Deploying the proceeds from an issue of 1,000,000,000 new shares at a price of HK$0.37 per share to partially fund the Bond Exchange Offer as set out in note 23(b); and

4) Continuing to utilise existing and seek new non-recourse project financing and capital financing arrangements to fund the development of the Group's projects in Mainland China. During the period ended 30 June 2010, banking facilities for the development of the shipyard in Mainland China were partly put in place.

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. On that basis, 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 2009 except that the Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs").

HKFRS 1 (Revised)	*First-time Adoption of HKFRSs*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs — Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 (Amendment)	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary*
HK Interpretation 4 (Revised in December 2009)	*Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*

The adoption of the new and revised HKFRSs which became effective for accounting periods beginning on or after 1 January 2010 has had no material impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and are principally engaged in (a) shipbuilding; (b) provision of logistic services (including offshore oil storage, onshore oil and chemical storage and oil transportation); and (c) supply of oil products and provision of bunker refueling services.

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices. The following table presents the unaudited segment information for the first six months of 2010 and 2009.

			Provision of logistic services						Supply of oil products							
					Onshore oil and				and provision of							
	Shipbuilding		Offshore oil storage		chemical storage		Oil transportation		bunker refueling services		Total		Adjustments and eliminations		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	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																
— Revenue from external customers	**91,288**	73,591	**324,494**	195,326	**89,321**	74,380	**72,566**	192,140	**464,860**	234,279	**1,042,529**	769,716	**—**	—	**1,042,529**	769,716
— Intersegment revenue	**—**	43,171	**—**	—	**—**	881	**—**	22,966	**68,965**	53,357	**68,965**	120,375	**(68,965)***	(120,375)*	**—**	—
Total	**91,288**	116,762	**324,494**	195,326	**89,321**	75,261	**72,566**	215,106	**533,825**	287,636	**1,111,494**	890,091	**(68,965)**	(120,375)	**1,042,529**	769,716
Segment results	**(90,197)**	(617)	**10,885**	63,694	**32,492**	34,389	**(61,498)**	(26,458)	**4,567**	16,635	**(103,751)**	87,643	**—**	—	**(103,751)**	87,643
Adjusted for:																
— Interest income and other income	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**2,840**	113,101	**2,840**	113,101
— Other expenses	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(51,926)**	(80,302)	**(51,926)**	(80,302)
Share of profits/(losses) of associates, net	**—**	—	**—**	—	**(132)**	2,822	**—**	—	**(29)**	584	**(161)**	3,406	**—**	—	**(161)**	3,406
	(90,197)	(617)	**10,885**	63,694	**32,360**	37,211	**(61,498)**	(26,458)	**4,538**	17,219	**(103,912)**	91,049	**(49,086)**	32,799	**(152,998)**	123,848
Add: Depreciation and amortisation	**17,546**	18,295	**22,317**	39,028	**31,376**	17,167	**20,746**	41,652	**82**	969	**92,067**	117,111	**6,239**	11,523	**98,306**	128,634
Operating EBITDA/(LBITDA)	**(72,651)**	17,678	**33,202**	102,722	**63,736**	54,378	**(40,752)**	15,194	**4,620**	18,188	**(11,845)**	208,160	**(42,847)**	44,322	**(54,692)**	252,482
Losses on disposals of vessels, net	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(384,671)**	—	**(384,671)**	—
EBITDA/(LBITDA)	**(72,651)**	17,678	**33,202**	102,722	**63,736**	54,378	**(40,752)**	15,194	**4,620**	18,188	**(11,845)**	208,160	**(427,518)**	44,322	**(439,363)**	252,482
Depreciation and amortisation	**(17,546)**	(18,295)	**(22,317)**	(39,028)	**(31,376)**	(17,167)	**(20,746)**	(41,652)	**(82)**	(969)	**(92,067)**	(117,111)	**(6,239)**	(11,523)	**(98,306)**	(128,634)
Finance costs	**(6,280)**	(883)	**(118)**	(872)	**(61,162)**	(39,321)	**—**	—	**(4,006)**	(6,105)	**(71,566)**	(47,181)	**(131,708)**	(130,149)	**(203,274)**	(177,330)
Profit/(loss) before tax	**(96,477)**	(1,500)	**10,767**	62,822	**(28,802)**	(2,110)	**(61,498)**	(26,458)	**532**	11,114	**(175,478)**	43,868	**(565,465)**	(97,350)	**(740,943)**	(53,482)

* Intersegment revenue is eliminated on consolidation.

4. REVENUE

Revenue, which is also the Group's turnover, represents gross income from shipbuilding, gross income from oil and chemical 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. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

5. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans:		
Wholly repayable within five years	**32,842**	22,423
Not wholly repayable within five years	**58,359**	38,044
Interest on finance lease payables	**—**	19
Interest on fixed rate guaranteed senior notes	**110,348**	108,408
Interest on notes payable	**2,977**	2,649
Interest on convertible unsecured notes	**7,077**	—
Dividends on convertible preferred shares	**36,969**	35,722
Other finance costs	**154**	315
Total interest expenses	**248,726**	207,580
Less: Interest capitalised	**(45,452)**	(30,250)
	203,274	177,330

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation and amortisation	**98,306**	128,634
Interest income*	**(2,619)**	(3,576)
Gain on repurchase of fixed rate guaranteed senior notes*	**—**	(93,667)

* These items are included in "Other income" on the face of the unaudited consolidated income statement.

7. TAX

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current:		
Charge for the period — overseas	**565**	111
Overprovision in prior periods — overseas	**(6,329)**	—
Deferred tax	**—**	(76)
Total tax charge/(credit) for the period	**(5,764)**	35

The share of tax attributable to associates amounting to HK$49,000 (period ended 30 June 2009: HK$376,000) is included in "Share of profits/(losses) of associates, net" on the face of the unaudited 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:

	2010	2009
Hong Kong	**16.5%**	16.5%
Singapore	**17.0%**	17.0%
Mainland China, after tax holidays as set out below	**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 (period ended 30 June 2009: 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 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 (period ended 30 June 2009: Nil).

7. 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, pursuant to which the PRC income tax rate thereby became 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 utilised their five-year tax holiday periods will be allowed to continue to enjoy full entitlement to reductions in the income tax rates until expiry of the tax holidays, after which, the 25% standard rate will apply.

8. DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend in respect of the period (period ended 30 June 2009: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share is based on the unaudited consolidated loss for the period attributable to ordinary equity holders of the Company of HK$735,488,000 (30 June 2009: HK$53,837,000), and the weighted average of 6,567,770,003 (30 June 2009: 6,473,859,010) ordinary shares in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the periods ended 30 June 2010 and 2009 in respect of a dilution as the earn-out shares, share options, warrants and convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

10. 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 at the end of the reporting period, based on the date of recognition of the sales and net of provisions, is as follows:

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
1 to 3 months	**82,167**	57,281
4 to 6 months	**42,142**	95,592
7 to 12 months	**90,272**	49,695
Over 12 months	**148,924**	99,331
	363,505	301,899

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

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Cash and bank balances	**671,204**	426,827
Time deposits	**195,410**	102,704
	866,614	529,531
Less: Amount pledged for bank facilities and restricted cash:		
Bank balances	**(87,393)**	(71,542)
Time deposits	**(162,330)**	(56,598)
Time deposits with original maturities of more than three months	**(30,518)**	(43,566)
	(280,241)	(171,706)
Cash and cash equivalents	**586,373**	357,825

12. 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 at the end of the reporting period, based on the date of receipt of goods purchased, is as follows:

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
1 to 3 months	**154,784**	125,135
4 to 6 months	**124,137**	39,878
7 to 12 months	**16,527**	29,420
Over 12 months	**14,789**	23,275
	310,237	217,708

13. FIXED RATE GUARANTEED SENIOR NOTES

The Company entered into negotiations with certain holders of the Existing Notes in connection with the Bond Exchange Offer and consent solicitations proposed on 8 December 2009 (7 December 2009, New York City Time) and revised on 23 April 2010 (22 April 2010, New York City Time). Eventually, on 9 June 2010 (8 June 2010, New York City Time), the Company made a final exchange offer (the "Final Exchange Offer"), proposing to exchange any and all of the Existing Notes (of which US$315,360,000 remains outstanding) for up to US$118,575,360 in aggregate principal amount of convertible notes due 2015, up to US$21,444,480 in aggregate principal amount of payment in kind notes due 2015 and a cash payment of approximately US$65 million.

The Final Exchange Offer was settled on 28 July 2010 (27 July 2010, New York City Time) as set out in note 23(a).

Further details are included in the Company's announcements dated 7 December 2009, 22 April 2010 and 8 June 2010.

14. CONVERTIBLE PREFERRED SHARES

In 2007, the Company issued 555,000,000 Titan preferred shares at the stated value of HK$0.56 per share and Titan Group Investment Limited ("TGIL"), a jointly-controlled entity, issued HK$780 million (US$100 million) TGIL preferred shares. The fair values of the liability portion of Titan preferred shares and TGIL preferred shares were estimated at the issuance date. The residual amount of Titan preferred shares of HK$75,559,000 and TGIL preferred shares of HK$517,837,000 were assigned as the equity portion and included in shareholders' equity of the Company and contingently redeemable equity in a jointly-controlled entity, respectively.

15. NOTES PAYABLE

On 5 August 2008, the Group signed an agreement with Kawasaki Kisen Kaisha Ltd ("K Line") for K Line to purchase notes for US$25 million (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.

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 agreed to engage the shipyard for certain future ship repair business. This agreement is for an initial term of ten years and can be renewed thereafter for successive five-year terms.

The notes comprised a financial liability at amortised cost and an embedded derivative. As at 30 June 2010, the fair value of the embedded derivative asset was HK$18,286,000 (31 December 2009: HK$18,286,000).

16. CONVERTIBLE UNSECURED 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 became 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's notes. TOSIL is a wholly-owned subsidiary of the Company.

On the same day, Warburg Pincus exercised its option to subscribe for China StorageCo's notes in the principal amount of HK$156 million (US$20 million). The fair values of the liability portion and embedded derivative of China StorageCo's notes were estimated at the issuance date. The residual amount of HK$92.3 million of China StorageCo's notes was assigned as the equity portion and included in the consolidated reserves of the Group. The convertible unsecured notes comprise a financial liability at amortised cost and an embedded derivative. As at 30 June 2010, the fair value of the embedded derivative liability was HK$348,000 (31 December 2009: HK$348,000).

On 8 June 2010, the Company, TOSIL, Warburg Pincus and China StorageCo entered into an extension agreement ("Extension Agreement") to extend the option period during which TOSIL may exercise its option to subscribe for its share of the China StorageCo notes in the principal amount of HK$156.6 million. The last day of the option period has therefore been extended from 16 July 2010 to 31 December 2010 initially. However, if TOSIL has not exercised its option by 31 December 2010 and China StorageCo has raised at least the equivalent of approximately HK$156.6 million of debt on normal commercial terms approved in writing by Warburg Pincus, then the expiry date for the option period will be extended further to 30 June 2011.

The Extension Agreement is a de minimus connected transaction of the Company under Chapter 14A of the Listing Rules. Further details are included in the Company's announcement dated 8 June 2010.

17. SHARE CAPITAL

On 15 March 2010, the Company entered into a subscription agreement with an independent third party and subsequently on 24 May 2010, the Company terminated this agreement and replaced it by a subscription agreement with Moral Base Investment Limited ("Moral Base") based on the same terms which had been agreed previously with the third party, whereby the Company conditionally agreed to allot and issue, and Moral Base conditionally agreed to subscribe for 1,000,000,000 new shares at a price of HK$0.37 per subscription share ("New Subscription").

The New Subscription was subsequently completed on 23 July 2010 as set out in note 23(b).

Further details are included in the Company's announcements dated 16 March 2010 and 24 May 2010.

Notes to the Condensed Consolidated Financial Statements

18. RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Earn-out shares reserve HK$'000	Equity component of convertible unsecured notes HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010 (Audited)	**1,940,136**	**18,261**	**32,838**	**57,399**	**193,332**	**—**	**92,277**	**(1,265,818)**	**1,068,425**
Total comprehensive income/(loss)	**—**	**—**	**—**	**—**	**14,091**	**—**	**—**	**(735,488)**	**(721,397)**
Share option expenses	**—**	**—**	**4,022**	**—**	**—**	**—**	**—**	**—**	**4,022**
Exercise of share options	**5,694**	**—**	**(1,394)**	**—**	**—**	**—**	**—**	**—**	**4,300**
Transfer to accumulated losses upon lapse of share options after vesting period	**—**	**—**	**(451)**	**—**	**—**	**—**	**—**	**451**	**—**
At 30 June 2010 (Unaudited)	**1,945,830**	**18,261**	**35,015**	**57,399**	**207,423**	**—**	**92,277**	**(2,000,855)**	**355,350**
At 1 January 2009 (Audited)	1,888,747	18,261	20,815	57,399	185,525	52,275	—	(732,127)	1,490,895
Total comprehensive loss	—	—	—	—	(721)	—	—	(53,837)	(54,558)
Share option expenses	—	—	7,234	—	—	—	—	—	7,234
Transfer to accumulated losses 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

19. COMMITMENTS

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Capital contribution commitments for associates in Mainland China	**68,784**	68,408
Commitments for construction of oil berthing and storage facilities in jointly-controlled entities and associates in Mainland China	**212,579**	213,487
Commitments for shipbuilding and ship repair facilities in Mainland China	**1,101,088**	1,241,065
Commitments for conversion and repairs of vessels	**54,428**	60,840
	1,436,879	1,583,800

20. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases out vessels under operating lease arrangements to third parties, which are negotiated for terms ranging from one to five years. The terms of the leases require the charterer to pay security deposits and provide for periodic rent adjustments according to prevailing market conditions.

As at 30 June 2010, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Vessels		
Within one year	**9,060**	16,576
From second to fifth years, inclusive	**13,265**	17,795
	22,325	34,371

(b) As lessee

The Group leases certain vessels and office premises under operating lease arrangements. Leases for the vessels are negotiated for terms ranging from one to five years, and leases for office premises are negotiated for terms ranging from one to twenty years.

As at 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Vessels		
Within one year	**295,147**	146,668
From second to fifth years, inclusive	**247,581**	194,396
	542,728	341,064
Office premises		
Within one year	**11,212**	9,508
From second to fifth years, inclusive	**23,281**	19,035
Beyond five years	**69,333**	71,095
	103,826	99,638
	646,554	440,702

21. CONTINGENT LIABILITIES

As at 30 June 2010, the Company had outstanding guarantees aggregating HK$26 million (31 December 2009: HK$115 million) to banks in connection with banking facilities granted to certain subsidiaries of the Company. An amount of HK$26 million (31 December 2009: HK$111 million) of the facilities had been utilised by these subsidiaries as at 30 June 2010.

As at 31 December 2009, the Company had outstanding guarantees aggregating HK$39 million to a supplier in connection with the floating storage business but no amount had been utilised and the guarantees were released during the period.

Other than the contingent liabilities as disclosed above, the Group and the Company had no other material contingent liabilities as at 30 June 2010 and 31 December 2009.

22. RELATED PARTY TRANSACTIONS

In addition to the information already disclosed elsewhere in these unaudited condensed consolidated 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$1.7 million (period ended 30 June 2009: HK$1.6 million) for office premises to Titan Oil, the Group's ultimate holding company, which was charged based on prevailing market rental rates.

(b) Outstanding balances with Titan Oil and its subsidiary

As at 30 June 2010, the shipbuilding subsidiary of the Group had a net amount due from Titan Oil of HK$44 million (HK$186 million was included in accounts and bills receivable and HK$142 million was included in other payables and accruals) (31 December 2009: HK$138 million due to Titan Oil, of which HK$143 million and HK$281 million was included in accounts and bills receivable and other payables and accruals, respectively) relating to the building 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$78 million (period ended 30 June 2009: HK$71 million).

As at 30 June 2010, the Group also had amounts due from Titan Oil and its subsidiary of HK$0.4 million (31 December 2009: net amounts due to Titan Oil and its subsidiary of HK$8.9 million), which are unsecured, interest-free and have no fixed terms of repayment.

(c) Bank guarantee

As at 30 June 2010, the Company had outstanding guarantees granted by one of the directors of the Company to a bank in connection with bank loans granted to a subsidiary of the Company of RMB970 million (approximately HK$1,115 million) (31 December 2009: US$3 million (approximately HK$26 million)).

22. RELATED PARTY TRANSACTIONS (continued)

(d) Issue of earn-out shares

If the target net profit before tax ("NPBT") of TQSL Holding and its subsidiary, QZ Shipyard for 2010 meet US$50 million (approximately HK$390 million), the Company is obliged to issue further earn-out shares of 177,203,422.

23. EVENTS AFTER THE REPORTING PERIOD

(a) Final Exchange Offer

On 21 July 2010 (20 July 2010, New York City Time), holders of US$209,490,000, representing approximately 66.43% of the outstanding principal amount of the Existing Notes irrevocably accepted the Company's Final Exchange Offer. The Final Exchange Offer was settled on 28 July 2010 (27 July 2010, New York City Time).

The Company issued US$78,728,000 (approximately HK$610,142,000) aggregate principal amount of the convertible notes, US$14,193,000 (approximately HK$109,996,000) aggregate principal amount of the payment in kind notes and paid US$43,154,940 (approximately HK$334,451,000) in cash, in exchange for the tendered Existing Notes. The untendered US$105,870,000 (approximately HK$820,493,000) of the principal amount of the Existing Notes remain outstanding.

The estimated gain on the Final Exchange Offer of tendered Existing Notes amounted to US$73 million (approximately HK$569 million) before related expenses.

The convertible notes and payment in kind notes will mature on 13 July 2015. The convertible notes are convertible into new ordinary shares of the Company at the initial conversion rate of 10,915 conversion shares per US$1,000 in principal amount of convertible notes converted, subject to adjustments. Based on an aggregate principal amount of US$78,728,000 being issued, conversion in full of the convertible notes will result in the issue and allotment of up to 859,316,064 conversion shares.

Further details are included in the Company's announcements dated 21 July 2010 and 28 July 2010.

(b) Issue of new shares

Following the completion of the Final Exchange Offer, the New Subscription was completed on 23 July 2010, whereby 1,000,000,000 new ordinary shares of HK$0.01 each were allotted and issued at a price of HK$0.37 per share, resulting in additional share capital of HK$10 million and share premium of HK$360 million (before issuance expenses). This represents approximately 13.19% of the issued share capital of the Company as enlarged by the New Subscription. The gross proceeds of HK$370 million are to be used to fund the Final Exchange Offer, and the remainder applied towards its working capital.

Further details are included in the Company's announcement dated 23 July 2010.

CAPITAL STRUCTURE AND LIQUIDITY

The Group finances its operations mainly through internally generated resources, term loans and trade finance facilities provided by banks in Hong Kong, Singapore and Mainland China. As at 30 June 2010,

a) The Group had:

- Cash and cash equivalents of HK$586 million (31 December 2009: HK$358 million), pledged deposits and restricted cash of HK$280 million (31 December 2009: HK$172 million) which were comprised of

  — an equivalent of HK$106 million (31 December 2009: HK$98 million) denominated in US dollars

  — an equivalent of HK$4 million (31 December 2009: HK$4 million) denominated in Singapore dollars

  — an equivalent of HK$750 million (31 December 2009: HK$422 million) denominated in Renminbi

  — HK$6 million (31 December 2009: HK$6 million) in Hong Kong dollars

- Interest-bearing bank loans of HK$3,646 million (31 December 2009: HK$2,963 million), of which HK$22 million (31 December 2009: HK$72 million) were floating rate loans denominated in US dollars. HK$1,023 million of the Group's bank loans at 30 June 2010 had maturities within one year.

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

- Bank balances and deposits of HK$224 million (31 December 2009: HK$82 million)

- Vessels* with an aggregate net carrying value of HK$612 million as at 31 December 2009, but the securities were released during the period

- Prepaid land/seabed lease payments with an aggregate net carrying value of HK$937 million (31 December 2009: HK$906 million)

- Storage facilities* with an aggregate net carrying value of HK$1,368 million (31 December 2009: HK$1,059 million)

- Construction in progress* with an aggregate carrying value of HK$574 million (31 December 2009: HK$478 million)

- Contracts in progress with an aggregate carrying value of HK$145 million as at 31 December 2009, but the securities were released during the period

- Accounts receivable with an aggregate carrying value of HK$43 million (31 December 2009: Nil)

- Machinery* with an aggregate net carrying value of HK$198 million (31 December 2009: HK$209 million)

- Buildings* with an aggregate net carrying value of HK$300 million (31 December 2009: HK$58 million)

- Personal guarantees executed by a director of the Company

- Corporate guarantees executed by the Company

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

c) The fixed rate guaranteed senior notes of HK$2,497 million (31 December 2009: HK$2,491 million) were secured by shares of certain subsidiaries. (Please refer to note 23(a) to the condensed consolidated financial statements)

d) The Group had:

- Current assets of HK$2,369 million (31 December 2009: HK$2,044 million) and total assets of HK$9,585 million (31 December 2009: HK$9,446 million)

- Total bank loans of HK$3,646 million (31 December 2009: HK$2,963 million)

- Fixed rate guaranteed senior notes of HK$2,497 million (31 December 2009: HK$2,491 million) (Please refer to note 23(a) to the condensed consolidated financial statements)

- Convertible preferred shares as a non-current liability to the extent of the liability portion of HK$682 million (31 December 2009: HK$645 million)

- Notes payable as a non-current liability to the extent of the liability portion of HK$207 million (31 December 2009: HK$204 million)

- Convertible unsecured notes as a non-current liability to the extent of the liability portion of HK$75 million (31 December 2009: HK$68 million).

The Group's current ratio at 30 June 2010 was 1.01 (31 December 2009: 1.04). The gearing of the Group, calculated as the total bank loans, fixed rate guaranteed senior notes, convertible unsecured notes and notes payable to total assets, has increased to 0.67 at 30 June 2010 (31 December 2009: 0.60).

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 2010, the Group had approximately 1,291 employees (31 December 2009: 1,319) of which approximately 660 (31 December 2009: 727) employees work in Mainland China, and 631 employees (31 December 2009: 592) are based in Singapore and Hong Kong. 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. No share options were granted to employees of the Group during the six months ended 30 June 2010.

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

At 30 June 2010, 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 (Note 5)
Mr. Tsoi Tin Chun	Interest of controlled corporations/ Interest of spouse	3,822,158,794 (Note 1)	58.17

Short positions in ordinary shares of the Company:

Name of director	Capacity	Number of shares	Approximate % of shareholding (Note 5)
Mr. Tsoi Tin Chun	Interest of controlled corporations	2,397,721,010 (Note 1)	36.49

Options outstanding under the share option scheme of the Company:

Name of director	Capacity	Number of underlying shares (option granted)	Approximate % of shareholding (Note 5)
Mr. Patrick Wong Siu Hung	Beneficial owner	20,000,000 (Note 2)	0.30

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$40,000,000 (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 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.

Note 5: Based on 6,570,950,721 ordinary shares of the Company issued as at 30 June 2010.

Save as disclosed above, at 30 June 2010, 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 2010 under the share option scheme adopted by the Company on 31 May 2002 (as amended) ("Scheme") are set out below.

The following share options under the Scheme were outstanding at 30 June 2010:

	Number of share options							
Name or category of participant	At 1 January 2010	Granted during the period	Lapsed during the period	Exercised during the period**	At 30 June 2010	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	11,225,000	—	(500,000)	(1,045,000)	9,680,000	20 February 2006	20 February 2007 to 19 February 2012	0.72
	11,225,000	—	(500,000)	(1,045,000)	9,680,000	20 February 2006	20 February 2008 to 19 February 2013	0.72
	250,000	—	(250,000)	—	—	24 April 2007	24 April 2008 to 23 April 2013	0.70
	250,000	—	(250,000)	—	—	24 April 2007	24 April 2009 to 23 April 2014	0.70
	38,600,000	—	(2,750,000)	(6,400,000)	29,450,000	1 February 2008	1 February 2010 to 31 January 2015	0.45
	94,320,000	—	(6,510,000)	—	87,810,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	55,720,000	—	(2,960,000)	—	52,760,000	1 February 2008	1 February 2012 to 31 January 2017	0.45
	52,300,000	—	(3,340,000)	—	48,960,000	1 February 2008	1 February 2013 to 31 January 2018	0.45
	263,890,000	—	(17,060,000)	(8,490,000)	238,340,000			
	283,890,000	—	(17,060,000)	(8,490,000)	258,340,000			

* 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 were 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$0.792.

*** 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.

During the period, no share options were cancelled.

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 spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors to acquire such rights in any other body corporate.

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

At 30 June 2010, 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 (Note 10)
Ms. Tsoi Yuk Yi	Interest of spouse/ Interest of a controlled corporation	3,822,158,794 (Note 5)	58.17
Titan Oil	Interest of a controlled corporation/ Beneficial owner	3,270,311,631 (Note 6)	49.77
Great Logistics	Beneficial owner	2,860,700,202 (Note 7)	43.54
Moral Base Investment Limited	Beneficial owner	1,000,000,000	15.22
Mr. Wong Chi Leung	Interest of a controlled corporation/ Interest of spouse	1,000,000,000 (Note 8)	15.22
Ms. Wong Kwok Ying	Interest of a controlled corporation/ Interest of spouse	1,000,000,000 (Note 8)	15.22
Saturn Petrochemical Holdings Limited	Beneficial owner	857,795,031	13.05
Warburg Pincus & Co.	Interest of a controlled corporation	857,795,031 (Note 9)	13.05
Warburg Pincus IX, LLC	Interest of a controlled corporation	857,795,031 (Note 9)	13.05
Warburg Pincus Partners LLC	Interest of a controlled corporation	857,795,031 (Note 9)	13.05
Warburg Pincus Private Equity IX, L.P.	Interest of a controlled corporation	857,795,031 (Note 9)	13.05
Titan Shipyard	Beneficial owner	426,796,127 (Note 5)	6.50

Short positions:

Name	**Capacity**	**Number of shares and underlying shares**	**Approximate % of shareholding** (Note 10)
Ms. Tsoi Yuk Yi	Interest of spouse	2,397,721,010 (Note 5)	36.49
Titan Oil	Beneficial owner/ Interest of a controlled corporation	2,397,721,010 (Note 6)	36.49
Great Logistics	Beneficial owner	2,397,721,010 (Note 7)	36.49
Titan Shipyard	Beneficial owner/ Security interest	975,411,883 (Note 5)	14.84

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, each of Mr. Wong Chi Leung ("Mr. Wong") and Ms. Wong Kwok Ying ("Ms. Wong"), spouse of Mr. Wong, is deemed to be interested in shares of the Company held by Moral Base Investment Limited ("Moral Base") by virtue of his/her shareholding interests in Moral Base. Moral Base is owned as to 50% by Mr. Wong and as to 50% by Ms. Wong.

Note 9: 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.

Note 10: Based on 6,570,950,721 ordinary shares of the Company issued as at 30 June 2010.

Save as disclosed above, at 30 June 2010, 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 position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept under Section 336 of the SFO.

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 six months ended 30 June 2010.

CORPORATE GOVERNANCE

The Company is committed to maintaining 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 set out in the Code on Corporate Governance Practices ("CG Code") contained in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the six months ended 30 June 2010, 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 be 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 operations and performance results. Although the role of Chairman and Chief Executive are performed by the same person, 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 periodically reviews the effectiveness of this arrangement and will take any appropriate action should circumstance necessitate.

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 24 June 2010. 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 set out in the Model Code during the six months ended 30 June 2010.

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 2010 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.