Interim Report 2011

Titan Petrochemicals Group Limited

Stock Code: 1192

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

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Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China
China Construction Bank
Citibank, N.A.
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank
Shenzhen Development Bank

AUDITORS

Ernst & Young

SOLICITORS

Reed Smith Richards Butler
Skadden, Arps, Slate, Meagher & Flom LLP
TSMP Law Corporation
Conyers, Dill & Pearman
Holman Fenwick Willan
Concord & Partners Shanghai Office

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	1H2011	1H2010	Change %
Revenue			
— Continuing Operations	**924**	951	(3%)
— Discontinued Operation	**42**	91	(54%)
Loss attributable to owners of the Company			
— Continuing Operations	**(239)**	(639)	63%
— Discontinued Operation	**(13)**	(96)	86%

BUSINESS HIGHLIGHTS

- **Strategic focus on storage business helped the Group to hold its position despite difficult market conditions**
- **Expansion of China Terminals has progressed well with the completion of Phase III of Nansha Terminal and Phase II of Fujian Terminal and aggregate storage capacity has now climbed to 2.367 million cubic meters**
- **Good demand for onshore storage services helped continued growth to the China Terminals, resulting in improved average utilisation rate of 80%**
- **The double-hulled fleet for the Transportation business are now all in operation**

CHAIRMAN'S STATEMENT

Asia has continued with its satisfactory economic performance and Europe and the United States showed signs of recovery at the beginning of the year. Unfortunately, this upbeat global condition was soon overshadowed by the credit concerns in Europe, Japan's tsunami and nuclear disaster, and China's tightening of credit and liquidity to curb inflation. While fluctuations in international oil prices and excess shipping capacity still prevail, the recent IEA's intervention by releasing 60 million barrels of oil from the emergency stockpiles stirred up turbulence in the shipping industry. As a result, the Group's shipping business was severely hit while the onshore storage business, supported by its solid performance, was not affected.

Onshore storage continued to be a major driver for the Group's revenues contributing HK$112 million and providing a bright spot in the Group's operations amidst such difficult market conditions. Hence, it has been confirmed that our prudent approach and strategic focus on the core businesses was the right course of action and has enabled Titan to continue to invest for growth in the first half of 2011.

RESULTS

For the first six months ended 30 June 2011, the Group's revenue in its continuing operations was HK$924 million, marginally lower than the first half of 2010. Despite higher operating costs and lower profit contributions in other business segments, underpinned by the increased profit generated from the onshore storage business, the overall operations recorded a loss before interest, tax, depreciation and amortisation (LBITDA) which was narrowed significantly to HK$12 million from HK$439 million as compared to the same period last year. This resulted in a reduction in the operating loss on the continuing operations of HK$238 million, as compared to HK$260 million a year ago. On this basis, the Board does not recommend the payment of an interim dividend.

BUSINESS REVIEW

China Terminals (Onshore Storage)

With expansion progress on track, the onshore storage business has been growing satisfactorily and has produced a steady rise in revenue over the last five years. The earlier than planned completion of the new phases at Fujian and Nansha Terminals has brought the combined storage capacity to 2,367,000 cubic meters in the first half of the year. At the same time, an additional 50,000 cubic meter capacity in Nansha Terminal has been appointed by Shanghai Futures Exchange as its designated physical delivery storage capacity, bringing the total designated physical delivery storage capacity to 300,000 cubic meters. Nansha Terminal continues to be the largest physical delivery storage facility for the settlement of the Exchange's fuel oil futures contracts.

The China terminals have shown promising revenues which rose 26% to HK$112 million, fueled by increased storage capacity, long-term contracts and significant growth in the storage demand. All these favourable factors and higher revenues led to a 53% improvement in the segment EBITDA from HK$64 million to HK$97 million for the first six months.

With the Nansha Terminal Phase III trial operations commencing earlier this year, the total operating capacity increased to 918,300 cubic meters which was comprised of 590,000 cubic meters of fuel oil storage, 125,300 cubic meters of chemical storage and 203,000 cubic meters of refined oil storage. The monthly average utilisation rate of the Nansha Terminal Phases I and II fuel oil storage facility rose significantly to 86%, as compared to 67% for the first half last year. For the chemical storage facility in Nansha, the average utilisation rate dropped from 72% to 68% in the first half of 2011 due to volatile market conditions but improved to more than 80% in June.

CHAIRMAN'S STATEMENT

The average monthly utilisation rate at the Fujian Terminal decreased slightly from 90% to 81% for the first half of 2011, as compared to the same period last year. This was due to the chemical enterprises were adversely affected and resulted in a subdued demand for chemicals. Construction of the Phase II 339,000 cubic meter product oil and fuel oil storage tanks at Fujian Terminal were completed ahead of schedule and are expected to commence operations in the second half of 2011 while the 100,000 dwt jetty has begun trial operations in early August.

With a total storage capacity of 1,020,000 cubic meters, the Shanghai Yangshan Terminal had achieved its best performance in its two-year operation. Driven by the strong demand for oil storage over the six-month period, Yangshan Terminal has recorded a strong monthly average utilisation rate of 97%, despite the newly-built 600,000 cubic meter capacity which was added in July 2010. In addition, Yangshan Terminal was recognized by JP Morgan as a high standard storage facility with quality management. This, together with the almost fully lease-out of tanks, confirms the high standard services and facilities that we have been striving to create.

Floating Storage Units (Offshore Storage)

The Group increased its capacity by chartering additional Very Large Crude Carriers (VLCCs) as part of its expansion plans stated in the 2010 annual report. Titan operated and commercially managed ten floating storage units (FSU) with an average operating capacity of 2,012,344 cubic meters during the first half of 2011.

Revenue for the period decreased to HK$258 million due to the negative cash and carry margins which led to a drop in floating storage demand. This, in turn, resulted in low utilisation rates while segment EBITDA decreased to HK$7 million compared to HK$33 million for the same period last year.

Transportation and Supply/Distribution

The Transportation business achieved improved revenue for the first half of 2011 with an increase of 163% to HK$191 million. This considerable growth was attributed to several long-term contracts secured with oil majors and increase of the Group's transportation fleet capacity which had jumped eightfold to 486,126 dwt with a total of twelve tankers and VLCC by the end of June 2011. Our initiative to offer transporting of chemicals as well as crude oil with double-hulled vessels has optimized our transportation service capability and made Titan a diversified supplier in the transportation market.

During the first half of 2011, unstable oil prices and weak freight rates were exacerbated by intensified competition and an oversupply of tonnage. In such an unfavourable and volatile market environment, coupled with interruptions caused by the fleet renewal program, segment LBITDA increased to HK$91 million, compared to HK$41 million during the same period last year.

Revenues in our supply/distribution business for the past six months decreased by 22% to HK$363 million and the segment EBITDA increased from HK$5 million to HK$11 million.

Financial Resources

The Group's cash position for its continuing operations was HK$234 million as at 30 June 2011 compared to HK$426 million as at 31 December 2010. The gearing ratio was maintained at 0.57, i.e. the same level as at 31 December 2010.

CHAIRMAN'S STATEMENT

OUTLOOK

The global market in the second half will likely continue to be dominated by uncertainties. Despite the challenges ahead, China is still believed to offer great opportunities in the long run as the country is fast-tracking the stockpiling of emergency oil reserves in recent years and the impressive demand heaps growing. China's consumption growth rate has exceeded 10% year-on-year since 2009 and it has become the World's second largest oil consumer after the United States. Its oil consumption and net imports of crude oil will continue to grow in the future. Consequently, the market demand for oil logistic services is still unabated despite the global economic problems.

Titan will continue to press on with the expansion of its core businesses during the balance of 2011 and is well positioned for development in the long run. This falls in line with our intention to become one of the largest independent petrochemical storage operators in China.

China Terminals (Onshore Storage)

In view of the encouraging demand for chemical storage, our three terminals will focus on development of this sector and actively involve in the methanol market.

Together with the fuel oil futures delivery facilities appointed by Shanghai Futures Exchange in Nansha and Yangshan and the longer term leases committed with certain oil majors, Titan has not only been able to capture more business in the futures market but is also taking full advantage of other promising prospects in the near term. Titan will continue to build on this strong foundation by actively seeking more investment opportunities for mergers and acquisitions and/or developing our terminals in other strategic locations in China to strengthen this segment in the Group's overall business.

Floating Storage Units (Offshore Storage)

Apart from offering only dirty petroleum product storage facilities, our FSU business will start handling clean petroleum products (gas oil) storage in the second half of 2011. By diversifying our services, broadening our client base and also securing more long-term leases, it is envisaged we can make the FSU business less dependent on market fluctuations and further leverage our existing business activities in Singapore and Malaysia.

Transportation and Supply/Distribution

The shipping market went back to its 2009 depressed market condition and we anticipate the market sentiments to remain weak for the rest of 2011 under the influence of excess tonnage and soft freight rates. To strengthen our presence, Titan will continue to develop new routes and seek new clients in order to seize available opportunities. Our flexibility in deploying VLCCs from the transportation operations to FSU or vice-versa is believed to give Titan an edge over its competitors.

Summary

Looking ahead, we will expect 2011 to be a better year than 2010 due to the surging oil demand in Asia and particularly in China. Titan remains well positioned to benefit from China's continuing growth and development given our positioning and the advantages of our fundamental businesses.

In continuing to execute our long-term strategy for growth using our best endeavors, I am confident that our strengths and the unwavering commitment to the core businesses will help Titan to be well placed to face the uncertainties ahead.

Tsoi Tin Chun
Chairman & Chief Executive

Hong Kong, 24 August 2011

CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June 2011 (Unaudited) HK$'000	 2010 (Unaudited) HK$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	5	**923,635**	951,241
Cost of sales		**(949,087)**	(920,025)
Gross profit/(loss)		**(25,452)**	31,216
Other revenue		**17,731**	5,461
General and administrative expenses		**(96,622)**	(99,823)
Finance costs	6	**(153,240)**	(196,994)
Share of profits/(losses) of associates, net		**19,787**	(161)
Operating loss		**(237,796)**	(260,301)
Losses on disposals of vessels, net		**—**	(384,671)
Loss before tax from continuing operations	7	**(237,796)**	(644,972)
Tax	8	**(764)**	5,764
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(238,560)**	(639,208)
DISCONTINUED OPERATION			
Loss for the period from discontinued operation, shipbuilding	4	**(12,994)**	(95,971)
LOSS FOR THE PERIOD		**(251,554)**	(735,179)
Attributable to:			
Owners of the Company		**(251,554)**	(735,488)
Non-controlling interests		**—**	309
		(251,554)	(735,179)
BASIC LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Continuing operations		**(HK3.06 cents)**	(HK9.74 cents)
Discontinued operation, shipbuilding		**(HK0.17 cents)**	(HK1.46 cents)
Total		**(HK3.23 cents)**	(HK11.20 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period	**(251,554)**	(735,179)
Other comprehensive income:		
Exchange differences on translation of foreign operations	**55,791**	14,161
Total comprehensive loss for the period, net of tax	**(195,763)**	(721,018)
Attributable to:		
Owners of the Company	**(195,763)**	(721,397)
Non-controlling interests	**—**	379
	(195,763)	(721,018)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,977,166**	2,745,611
Prepaid land/seabed lease payments		**466,947**	464,776
Licences		**31,135**	32,383
Goodwill		**470,371**	470,371
Interests in associates		**350,243**	330,647
Deposits for construction in progress		**8,663**	155,887
Total non-current assets		**4,304,525**	4,199,675
CURRENT ASSETS			
Bunker oil		**43,818**	48,196
Inventories		**27,940**	12,506
Accounts and bills receivable	11	**73,541**	81,424
Prepayments, deposits and other receivables		**264,406**	463,535
Contracts in progress		**846**	10,104
Pledged deposits and restricted cash	12	**75,380**	243,997
Cash and cash equivalents	12	**158,617**	182,280
		644,548	1,042,042
Assets of a disposal group classified as held for sale	4	**4,581,644**	4,275,495
Total current assets		**5,226,192**	5,317,537
CURRENT LIABILITIES			
Interest-bearing bank loans		**666,846**	801,061
Notes payable		**194,377**	191,341
Fixed rate guaranteed senior notes	15	**842,463**	—
Accounts and bills payable	13	**301,991**	205,421
Other payables and accruals	14	**933,668**	650,758
Tax payable		**11,893**	11,885
		2,951,238	1,860,466
Liabilities of a disposal group classified as held for sale	4	**2,094,120**	2,225,014
Total current liabilities		**5,045,358**	4,085,480
NET CURRENT ASSETS		**180,834**	1,232,057
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,485,359**	5,431,732

Consolidated Statement of Financial Position

	Notes	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Fixed rate guaranteed senior notes	15	—	840,333
Guaranteed senior convertible notes	16	**407,467**	408,734
Guaranteed senior payment-in-kind notes	17	**80,402**	84,360
Liability portion of convertible preferred shares	18	**757,719**	719,331
Liability portion of convertible unsecured notes	19	**91,554**	83,081
Interest-bearing bank loans		**1,531,712**	1,506,873
Deferred tax liabilities		**45,812**	45,618
Total non-current liabilities		**2,914,666**	3,688,330
Net assets		**1,570,693**	1,743,402
EQUITY			
Equity attributable to owners of the Company			
Issued capital	20	**78,024**	77,667
Equity portion of convertible preferred shares	18	**75,559**	75,559
Reserves	21	**899,273**	1,072,339
		1,052,856	1,225,565
Contingently redeemable equity in a jointly-controlled entity	18	**517,837**	517,837
Total equity		**1,570,693**	1,743,402

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Contingently redeemable equity in a jointly-controlled entity	Non-controlling interests	Total equity
	Issued capital	Convertible preferred shares	Reserves (note 21)	Sub-total			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011 (Audited)	**77,667**	**75,559**	**1,072,339**	**1,225,565**	**517,837**	**—**	**1,743,402**
Exchange differences on translation of foreign operations	**—**	**—**	**55,791**	**55,791**	**—**	**—**	**55,791**
Loss for the period	**—**	**—**	**(251,554)**	**(251,554)**	**—**	**—**	**(251,554)**
Total comprehensive loss for the period	**—**	**—**	**(195,763)**	**(195,763)**	**—**	**—**	**(195,763)**
Share option expenses	**—**	**—**	**256**	**256**	**—**	**—**	**256**
Exercise of share options	**85**	**—**	**3,707**	**3,792**	**—**	**—**	**3,792**
Conversion of guaranteed senior convertible notes	**272**	**—**	**18,734**	**19,006**	**—**	**—**	**19,006**
At 30 June 2011 (Unaudited)	**78,024**	**75,559**	**899,273**	**1,052,856**	**517,837**	**—**	**1,570,693**
At 1 January 2010 (Audited)	65,625	75,559	1,068,425	1,209,609	517,837	8,629	1,736,075
Exchange differences on translation of foreign operations	—	—	14,091	14,091	—	70	14,161
(Loss)/profit for the period	—	—	(735,488)	(735,488)	—	309	(735,179)
Total comprehensive income/(loss) for the period	—	—	(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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash flows from/(used in):		
Operating activities	**316,622**	(42,809)
Investing activities	**(527,495)**	(285,324)
Financing activities	**(49,258)**	705,785
Net increase/(decrease) in cash and cash equivalents	**(260,131)**	377,652
Cash and cash equivalents at beginning of period	**403,451**	393,292
Effect of foreign exchange rate changes, net	**22,171**	6,045
Cash and cash equivalents at end of period	**165,491**	776,989
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**158,617**	583,811
Bank balances pledged as security for bank facilities	**289**	83,156
Time deposits with original maturities of less than three months when acquired, pledged as security for bank facilities	**—**	110,022
Cash and bank balances attributable to the discontinued operation	**6,585**	—
Cash and cash equivalents per condensed consolidated statement of cash flows	**165,491**	776,989
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents per condensed consolidated statement of cash flows	**165,491**	776,989
Amounts pledged for banking facilities and restricted cash with original maturities of less than three months when acquired	**(289)**	(193,178)
Non-pledged time deposits with original maturities of more than three months when acquired	**—**	2,562
Cash and bank balances attributable to the discontinued operation	**(6,585)**	—
Cash and cash equivalents as stated in the consolidated statement of financial position	**158,617**	586,373

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 2011 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 (the "HKICPA") 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 2011, the Group incurred a loss of HK$251,554,000. This condition raises 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 Group realigned its businesses in December 2010 by disposing of its 95% equity interest in Titan Quanzhou Shipyard Co. Ltd ("QZ Shipyard"), as further detailed in note 4, for a consideration of RMB1,865,670,000 (approximately HK$2,248,692,000) or a maximum reduced consideration of RMB1,465,670,000 (approximately HK$1,766,572,000) if QZ Shipyard's profit targets for the two years ending 31 December 2012 are not met. As of the date of this report, RMB740,000,000 (approximately HK$891,922,000) has been received. Concurrently, the Company entered into a subscription agreement with the purchaser of QZ Shipyard whereby the Company conditionally agreed to allot and issue, and the purchaser conditionally agreed to subscribe for 500,000,000 new ordinary shares at a price of HK$0.61 per subscription share in the Company upon completion of the disposal of QZ Shipyard.

As a result of the above transaction, 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 2010 except that the Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and interpretations ("HK(IFRIC)-Int") issued by the HKICPA.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

The adoption of the new and revised HKFRSs which became effective for accounting periods beginning on or after 1 January 2011 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) provision of logistic services (including offshore oil storage, onshore oil and chemical storage and oil transportation); and (b) supply of oil products and provision of bunker refueling services. In 2010, the Group discontinued its shipbuilding operation.

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 from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except that interest income, other gains, finance costs, as well as head office and corporate expenses are excluded from such measurement.

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 2011 and 2010.

3. OPERATING SEGMENT INFORMATION (continued)

	Provision of logistic services						Supply of oil products and provision of bunker refueling services		Total continuing operations		Discontinued operation, shipbuilding		Adjustments and eliminations		Consolidated	
	Offshore oil storage		Onshore oil and chemical storage		Oil transportation											
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Segment revenue																
— Revenue from external customers	257,946	324,494	112,454	89,321	190,671	72,566	362,564	464,860	923,635	951,241	42,317	91,288	–	–	965,952	1,042,529
— Intersegment revenue	–	–	–	–	–	–	133,572	68,965	133,572	68,965	–	–	(133,572)*	(68,965)*	–	–
Total	257,946	324,494	112,454	89,321	190,671	72,566	496,136	533,825	1,057,207	1,020,206	42,317	91,288	(133,572)	(68,965)	965,952	1,042,529
Segment results	(15,665)	10,885	43,682	32,492	(92,301)	(61,498)	11,418	4,567	(52,866)	(13,554)	(10,587)	(90,197)	–	–	(63,453)	(103,751)
Adjusted for:																
— Interest income and other revenue	–	–	–	–	–	–	–	–	–	–	33	506	6,308	2,334	6,341	2,840
— Other expenses	–	–	–	–	–	–	–	–	–	–	–	–	(57,785)	(51,926)	(57,785)	(51,926)
Share of profits/(losses) of associates, net	–	–	19,886	(132)	–	–	(99)	(29)	19,787	(161)	–	–	–	–	19,787	(161)
	(15,665)	10,885	63,568	32,360	(92,301)	(61,498)	11,319	4,538	(33,079)	(13,715)	(10,554)	(89,691)	(51,477)	(49,592)	(95,110)	(152,998)
Add: Depreciation and amortisation	22,941	22,317	33,650	31,376	1,027	20,746	165	82	57,783	74,521	18,779	17,546	6,080	6,239	82,642	98,306
Operating EBITDA/(LBITDA)	7,276	33,202	97,218	63,736	(91,274)	(40,752)	11,484	4,620	24,704	60,806	8,225	(72,145)	(45,397)	(43,353)	(12,468)	(54,692)
Losses on disposals of vessels, net	–	–	–	–	–	–	–	–	–	–	–	–	–	(384,671)	–	(384,671)
EBITDA/(LBITDA)	7,276	33,202	97,218	63,736	(91,274)	(40,752)	11,484	4,620	24,704	60,806	8,225	(72,145)	(45,397)	(428,024)	(12,468)	(439,363)
Depreciation and amortisation	(22,941)	(22,317)	(33,650)	(31,376)	(1,027)	(20,746)	(165)	(82)	(57,783)	(74,521)	(18,779)	(17,546)	(6,080)	(6,239)	(82,642)	(98,306)
Finance costs	–	–	–	–	–	–	–	–	–	–	(2,440)	(6,280)	(153,240)	(196,994)	(155,680)	(203,274)
Profit/(loss) before tax	(15,665)	10,885	63,568	32,360	(92,301)	(61,498)	11,319	4,538	(33,079)	(13,715)	(12,994)	(95,971)	(204,717)	(631,257)	(250,790)	(740,943)

* Intersegment revenue is eliminated on consolidation.

4. DISCONTINUED OPERATION, SHIPBUILDING

On 11 December 2010, the Company entered into (i) a sale and purchase agreement in relation to the disposal of its 95% equity interest in QZ Shipyard; (ii) a subscription agreement in relation to the issue of subscription shares to Grand China Logistics Holding (Group) Company Limited; and (iii) a management agreement in relation to the engagement of the Company to manage the business operations of QZ Shipyard for the term commencing from the completion of the sale and purchase agreement until 31 December 2012. The consideration for the proposed disposal is RMB1,865,670,000 (approximately HK$2,248,692,000) or a maximum reduced consideration of RMB1,465,670,000 (approximately HK$1,766,572,000) if QZ Shipyard's profit targets for the two years ending 31 December 2012 are not met. The above transactions were approved by shareholders of the Company on 20 January 2011 and the requisite approvals from the relevant authorities in Mainland China were obtained. The completion of the registration of the transfer of equity interest to the purchaser has not yet been completed.

As at 30 June 2011 and 31 December 2010, the assets and liabilities related to the discontinued operation, shipbuilding and building of ship repair facilities, have been presented in the consolidated statement of financial position as "Assets of a disposal group classified as held for sale" and "Liabilities of a disposal group classified as held for sale".

For the financial period ended 30 June 2011, the results are presented separately in the consolidated income statement as "Loss for the period from discontinued operation, shipbuilding". The comparatives in the consolidated income statement are adjusted accordingly. Capital commitments in respect of QZ Shipyard are set out in note 22.

The results of QZ Shipyard for the period are presented below.

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
Revenue	5	**42,317**	91,288
Cost of sales		**(40,287)**	(167,544)
Gross profit/(loss)		**2,030**	(76,256)
Other revenue		**290**	586
General and administrative expenses		**(12,874)**	(14,021)
Finance costs	6	**(2,440)**	(6,280)
Loss before tax		**(12,994)**	(95,971)
Tax		**—**	—
Loss for the period from discontinued operation, shipbuilding		**(12,994)**	(95,971)

4. DISCONTINUED OPERATION, SHIPBUILDING (continued)

The major classes of assets and liabilities of QZ Shipyard classified as held for sale as at 30 June 2011 and 31 December 2010 are as follows:

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Assets of a disposal group classified as held for sale		
Property, plant and equipment	**2,874,618**	2,515,315
Prepaid land/seabed lease payments	**514,975**	513,827
Goodwill	**570,618**	570,618
Inventories	**172,379**	136,742
Accounts and bills receivable	**116,246**	285,719
Prepayments, deposits and other receivables	**234,288**	136,165
Contracts in progress	**80,846**	37,364
Pledged deposits and restricted cash	**11,089**	8,302
Cash and cash equivalents	**6,585**	71,443
	4,581,644	4,275,495
Liabilities of a disposal group classified as held for sale		
Interest-bearing bank loans	**1,633,654**	1,482,125
Accounts and bills payable	**81,180**	55,846
Other payables and accruals	**267,106**	574,863
Deferred tax liabilities	**112,180**	112,180
	2,094,120	2,225,014
Net assets of a disposal group classified as held for sale	**2,487,524**	2,050,481

4. DISCONTINUED OPERATION, SHIPBUILDING (continued)

The net cash flows incurred by QZ Shipyard are as follows:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash inflow/(outflow) from:		
Operating activities	**139,488**	225,382
Investing activities	**(323,514)**	(325,111)
Financing activities	**114,256**	229,278
Net (decrease)/increase in cash and cash equivalents	**(69,770)**	129,549
Cash and cash equivalents at beginning of the period	**71,443**	198,652
Effect of foreign exchange rate changes, net	**4,912**	3,062
Cash and cash equivalents at end of period	**6,585**	331,263

5. REVENUE

Revenue, under continuing operations, represents 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, while gross income from shipbuilding is included under the revenue of discontinued operation, shipbuilding as set out in note 4. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

6. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans:		
Wholly repayable within five years	**33,344**	32,842
Not wholly repayable within five years	**81,866**	58,359
Interest on fixed rate guaranteed senior notes ("Senior Notes Due 2012")	**37,226**	110,348
Interest on guaranteed senior convertible notes ("Convertible Notes Due 2015")	**16,980**	—
Interest on guaranteed senior payment-in-kind notes ("PIK Notes Due 2015")	**3,761**	—
Interest on notes payable	**3,036**	2,977
Interest on convertible unsecured notes ("TGIL Notes Due 2014")	**8,473**	7,077
Dividends on convertible preferred shares	**38,388**	36,969
Other finance costs	**136**	154
Total interest expenses	**223,210**	248,726
Less: Interest capitalised	**(67,530)**	(45,452)
	155,680	203,274
Attributable to continuing operations	**153,240**	196,994
Attributable to discontinued operation, shipbuilding (note 4)	**2,440**	6,280
	155,680	203,274

7. LOSS BEFORE TAX

The Group's loss before tax is arrived after charging/(crediting) the amounts as set out below. The disclosures presented in this note include those amounts charged/(credited) in respect of the discontinued operation, shipbuilding.

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation and amortisation	**82,642**	98,306
Interest income	**(5,981)**	(2,619)

8. TAX

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current:		
Charge for the period — overseas	**521**	565
Underprovision/(overprovision) in prior periods — overseas	**243**	(6,329)
Total tax charge/(credit) for the period, continuing operations	**764**	(5,764)

The share of tax attributable to associates amounting to HK$540,000 (period ended 30 June 2010: HK$49,000) 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:

	2011	2010
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 2010: 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 2010: Nil).

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, 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.

9. DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend in respect of the period (period ended 30 June 2010: Nil).

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

The calculation of the basic loss per share is based on the total unaudited consolidated loss for the period attributable to ordinary equity holders of the Company of HK$251,554,000 (period ended 30 June 2010: HK$735,488,000) represented by the loss from continuing operations of HK$238,560,000 (period ended 30 June 2010: HK$639,517,000) and the loss from discontinued operation, shipbuilding of HK$12,994,000 (period ended 30 June 2010: HK$95,971,000), and the weighted average of 7,792,672,100 (period ended 30 June 2010: 6,567,770,003) 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 2011 and 2010 in respect of a dilution as the share options, Convertible Notes Due 2015, warrants and convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

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 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 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
1 to 3 months	**43,159**	49,957
4 to 6 months	**6,330**	6,081
7 to 12 months	**2,509**	8,214
Over 12 months	**21,543**	17,172
	73,541	81,424

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

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Cash and bank balances	**159,024**	263,891
Time deposits	**74,973**	162,386
	233,997	426,277
Less: Amounts pledged for bank facilities and restricted cash:		
Bank balances	**(407)**	(82,761)
Time deposits	**(26,395)**	(94,610)
Time deposits with original maturities of more than three months	**(48,578)**	(66,626)
	(75,380)	(243,997)
Cash and cash equivalents	**158,617**	182,280

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

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
1 to 3 months	**160,662**	71,317
4 to 6 months	**40,566**	67,877
7 to 12 months	**93,270**	49,235
Over 12 months	**7,493**	16,992
	301,991	205,421

14. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals is an amount of RMB580,000,000 (approximately HK$699,074,000) (31 December 2010: Nil) in respect of the partial receipt of the disposal consideration of QZ Shipyard. Up to the date of this report, an aggregate amount of RMB740,000,000 (approximately HK$891,922,000) was received as set out in note 1.

15. FIXED RATE GUARANTEED SENIOR NOTES ("SENIOR NOTES DUE 2012")

The Company issued the Senior Notes Due 2012 in the aggregate principal amount of US$400 million (equivalent to approximately HK$3,120 million) on 17 March 2005. The Senior Notes Due 2012 bear interest at the rate of 8.5% per annum, payable semi-annually in arrears on 18 March and 18 September each year, commencing on 18 September 2005, and are listed on the Singapore Exchange Securities Trading Limited. The outstanding principal of the Senior Notes Due 2012 as at 30 June 2011 and 31 December 2010 were US$105,870,000 (approximately HK$825,786,000).

The Senior Notes Due 2012 are due for repayment on 18 March 2012 and, therefore, are classified as current liabilities as at 30 June 2011.

16. GUARANTEED SENIOR CONVERTIBLE NOTES ("CONVERTIBLE NOTES DUE 2015")

The Company issued US$78,728,000 (approximately HK$614,078,000) aggregate principal amount of Convertible Notes Due 2015 on 28 July 2010 (27 July 2010, New York City Time) in exchange for tendered Senior Notes Due 2012. The Convertible Notes Due 2015 are due on 13 July 2015 with a single repayment at 151.621% of the principal amount, unless earlier redeemed, repurchased or purchased by the Company or converted. The Convertible Notes Due 2015 bear no interest, and are listed on the Singapore Exchange Securities Trading Limited. Holders of the Convertible Notes Due 2015 are entitled to convert them in a minimum principal amount of US$1,000 or integral multiples of US$500 in excess thereof based on an initial conversion rate of 10,915 conversion shares per US$1,000 in principal amount of Convertible Notes Due 2015, subject to adjustments.

17. GUARANTEED SENIOR PAYMENT-IN-KIND NOTES ("PIK NOTES DUE 2015")

The Company issued US$14,193,000 (approximately HK$110,705,000) aggregate principal amount of PIK Notes Due 2015 on 28 July 2010 (27 July 2010, New York City Time) in exchange for tendered Senior Notes Due 2012. The PIK Notes Due 2015 are due on 13 July 2015 with a single repayment of the principal, unless earlier repurchased pursuant to the terms of the PIK Notes indenture. The PIK Notes Due 2015 bear interest at the rate of 8.5% per annum payable semi-annually in arrears commencing on 13 January 2011 either by cash or in the form of additional PIK Notes Due 2015, and are listed on the Singapore Exchange Securities Trading Limited.

18. 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.

19. CONVERTIBLE UNSECURED NOTES ("TGIL NOTES DUE 2014")

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. 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 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.

On 13 January 2011, TOSIL exercised its right to subscribe for TGIL Notes Due 2014 in the principal amount of HK$156.6 million (approximately US$20.1 million) and the subscription was completed when the relevant TGIL Notes Due 2014 were issued on 21 January 2011. Further details are included in the Company's announcement dated 13 January 2011.

20. SHARE CAPITAL

During the period, an aggregate principal amount of US$2,491,000 (approximately HK$19,430,000) in Convertible Notes Due 2015 was converted into 27,189,264 ordinary shares of HK$0.01 each in the Company at the conversion price of US$0.0916 (approximately HK$0.7145) per share.

During the period, share options granted on 1 February 2008 were exercised for 8,480,000 ordinary shares at an exercise price of HK$0.45.

21. RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC statutory reserve HK$'000	Equity component of convertible unsecured notes HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011 (Audited)	**2,437,224**	**18,261**	**38,194**	**57,399**	**274,126**	**559**	**92,277**	**(1,845,701)**	**1,072,339**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**55,791**	**–**	**–**	**–**	**55,791**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(251,554)**	**(251,554)**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**55,791**	**–**	**–**	**(251,554)**	**(195,763)**
Share option expenses	**–**	**–**	**256**	**–**	**–**	**–**	**–**	**–**	**256**
Exercise of share options	**5,041**	**–**	**(1,334)**	**–**	**–**	**–**	**–**	**–**	**3,707**
Transfer to accumulated losses upon lapse of share options after vesting period	**–**	**–**	**(73)**	**–**	**–**	**–**	**–**	**73**	**–**
Conversion of Convertible Notes Due 2015	**18,734**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**18,734**
At 30 June 2011 (Unaudited)	**2,460,999**	**18,261**	**37,043**	**57,399**	**329,917**	**559**	**92,277**	**(2,097,182)**	**899,273**
At 1 January 2010 (Audited)	1,940,136	18,261	32,838	57,399	193,332	–	92,277	(1,265,818)	1,068,425
Exchange differences on translation of foreign operations	–	–	–	–	14,091	–	–	–	14,091
Loss for the period	–	–	–	–	–	–	–	(735,488)	(735,488)
Total comprehensive income/(loss) for the period	–	–	–	–	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

22. COMMITMENTS

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Capital contribution commitments for associates in Mainland China	**72,178**	70,531
Commitments for construction of oil berthing and storage facilities in jointly-controlled entities in Mainland China	**27,164**	20,111
Commitments for shipbuilding and ship repair facilities in Mainland China*	**926,676**	939,102
	1,026,018	1,029,744

* At 30 June 2011 and 31 December 2010, such commitments were associated with the disposal group classified as held for sale.

23. OPERATING LEASE ARRANGEMENTS

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 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Vessels		
Within one year	**439,176**	431,326
From second to fifth years, inclusive	**658,176**	610,961
	1,097,352	1,042,287
Office premises		
Within one year	**11,661**	12,665
From second to fifth years, inclusive	**22,678**	29,290
Beyond five years	**68,138**	67,821
	102,477	109,776
	1,199,829	1,152,063

24. CONTINGENT LIABILITIES

As at 30 June 2011, the Company had outstanding guarantees aggregating HK$14 million (31 December 2010: HK$22 million) to banks in connection with banking facilities granted to certain subsidiaries of the Company. An amount of HK$14 million (31 December 2010: HK$19 million) of the facilities had been utilised by these subsidiaries as at 30 June 2011.

Other than the contingent liabilities as disclosed above, the Group and the Company had no other material contingent liabilities as at 30 June 2011 and 31 December 2010.

25. 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 million (period ended 30 June 2010: HK$1.7 million) to Titan Oil, the Group's ultimate holding company, for the lease of office premises, which was charged based on prevailing market rental rates.

(b) Chartering vessels with Oceanic Shipping Pte. Ltd. ("Oceanic Shipping")

During the period, the Group paid a total amount of US$6.1 million (approximately HK$47 million) (period ended 30 June 2010: Nil) charter fees to Oceanic Shipping, a company incorporated in Singapore and wholly-owned by a director. The amount is comparable to the prevailing market rates for similar bareboat charters and terms.

(c) Building and sale of vessels

As at 30 June 2011, the shipbuilding subsidiary of the Group had an amount due from Titan Oil of HK$116 million, which was included in accounts and bills receivable of assets of a disposal group classified as held for sale (31 December 2010: HK$214 million) relating to the building and sale of vessels to Titan Oil. There was no sale of vessels to Titan Oil in the current period (period ended 30 June 2010: HK$78 million).

(d) Advances from/to Titan Oil and its subsidiaries

As at 31 December 2010, the Group had an amount due from Titan Oil of HK$0.1 million but such amount was settled during the period.

As at 30 June 2011, the Group had amounts due to subsidiaries of Titan Oil of HK$19.2 million (31 December 2010: HK$159 million) which were unsecured, interest-free and had no fixed terms of repayment.

(e) Bank guarantee

As at 30 June 2011, a guarantee was granted by one of the directors of the Company to a bank in connection with bank loans of RMB1,199 million (approximately HK$1,446 million) (31 December 2010: RMB1,095 million (approximately HK$1,290 million)) granted to QZ Shipyard.

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 2011,

a) The Group had:

- Cash and bank balances of HK$165 million (31 December 2010: HK$254 million) of which HK$7 million (31 December 2010: HK$72 million) was from the discontinued operation; pledged deposits and restricted cash of HK$87 million (31 December 2010: HK$252 million) of which HK$11 million (31 December 2010: HK$8 million) was from the discontinued operation. These were comprised of:

  — an equivalent of HK$46 million (31 December 2010: HK$56 million) of which HK$1 million (31 December 2010: HK$15 million) was from the discontinued operation, denominated in US dollars

  — an equivalent of HK$2 million (31 December 2010: HK$2 million) denominated in Singapore dollars

  — an equivalent of HK$201 million (31 December 2010: HK$445 million) of which HK$17 million (31 December 2010: HK$65 million) was from the discontinued operation, denominated in RMB

  — HK$3 million (31 December 2010: HK$3 million) in Hong Kong dollars

- Interest-bearing bank loans of HK$3,832 million (31 December 2010: HK$3,790 million) of which HK$1,634 million (31 December 2010: HK$1,482 million) was from the discontinued operation. Floating rate loans denominated in US dollars was HK$14 million (31 December 2010: HK$18 million). Group's bank loans have maturities within one year was HK$2,301 million (31 December 2010: HK$2,283 million) of which HK$1,634 million (31 December 2010: HK$1,482 million) was from the discontinued operation.

b) The Group's banking and other facilities, including those classified as held for sale were secured or guaranteed by:

- Construction in progress with an aggregate carrying value of HK$839 million (31 December 2010: HK$716 million)
- Bank balances and deposits of HK$49 million (31 December 2010: HK$135 million)
- Machinery with an aggregate net carrying value of HK$201 million (31 December 2010: HK$194 million)
- Buildings with an aggregate net carrying value of HK$478 million (31 December 2010: HK$443 million)
- Prepaid land/seabed lease payments with an aggregate net carrying value of HK$990 million (31 December 2010: HK$945 million)
- Storage facilities with an aggregate net carrying value of HK$1,604 million (31 December 2010: HK$1,384 million)
- Accounts receivables with an aggregate carrying value of HK$56 million in 2010, but such security was released during the period
- Corporate guarantees executed by the Company
- Personal guarantees executed by a related party and a director of the Company

c) The Senior Notes Due 2012 of HK$842 million (31 December 2010: HK$840 million), the Convertible Notes Due 2015 of HK$407 million (31 December 2010: HK$409 million) and the PIK Notes Due 2015 of HK$80 million (31 December 2010: HK$84 million) were secured by the shares of certain subsidiaries.

d) The Group, including these classified as held for sale had:

- Current assets of HK$5,226 million (31 December 2010: HK$5,318 million) and total assets of HK$9,531 million (31 December 2010: HK$9,517 million)

- Total bank loans of HK$3,832 million (31 December 2010: HK$3,790 million) of which HK$1,634 million (31 December 2010: HK$1,482 million) was from the discontinued operation.

- Senior Notes Due 2012 as a current liability of HK$842 million (31 December 2010: a non-current liability of HK$840 million)

- Convertible Notes Due 2015 as a non-current liability to the extent of the liability portion of HK$407 million (31 December 2010: HK$409 million)

- PIK Notes Due 2015 as a non-current liability to the extent of the liability portion of HK$80 million (31 December 2010: HK$84 million)

- Convertible preferred shares as a non-current liability to the extent of the liability portion of HK$758 million (31 December 2010: HK$719 million)

- Notes payable as a current liability to the extent of the liability portion of HK$212 million (31 December 2010: HK$210 million)

- TGIL Notes Due 2014 as a non-current liability to the extent of the liability portion of HK$92 million (31 December 2010: HK$83 million)

The Group's current ratio was 1.04 (31 December 2010: 1.30). The gearing of the Group, calculated as the total bank loans, Senior Notes Due 2012, Convertible Notes Due 2015, PIK Notes Due 2015, notes payable and TGIL Notes Due 2014 to total assets, has remained at 0.57 as at 30 June 2011 and 31 December 2010.

e) The Group operates in Hong Kong, Singapore and Mainland China and primarily uses US dollars for its businesses in Singapore, Renminbi for the storage business in Mainland China and Hong Kong dollars in Hong Kong for both income and expenses. Therefore, the Group's foreign currency exposures are minimal in view of the natural hedge between costs and revenues. The Group has not used any financial instruments for speculative purposes.

EMPLOYEES

As at 30 June 2011, the Group had approximately 1,210 employees (31 December 2010: 1,301) of which approximately 485 employees (31 December 2010: 574) work in Mainland China, and 725 employees (31 December 2010: 727) are based in Singapore and Hong Kong. Included in those working in Mainland China for the Group, approximately 457 employees (31 December 2010: 543) are from QZ Shipyard. In addition, the jointly-controlled entity for onshore storage also had approximately 295 employees (31 December 2010: 247) in Mainland China. 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 2011.

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

At 30 June 2011, 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 4)
Mr. Tsoi Tin Chun	Interest of controlled corporations/ Interest of spouse	3,733,557,083 (Note 1)	47.85

Options outstanding under the 2002 Share Option Scheme of the Company:

Name of director	Capacity	Number of underlying shares (option granted)	Approximate % of shareholding (Note 4)
Mr. Patrick Wong Siu Hung	Beneficial owner	20,000,000 (Note 2)	0.26

Interest in an associated corporation:

Name of director	Capacity	Associated corporation	Interest in associated corporation	% interest in shareholding
Mr. Tsoi Tin Chun	Interest of corporation controlled by director	Fujian Shishi Titan Sailor Administer Co., Ltd.	US$40,000,000 (Capital contribution) (Note 3)	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 further deemed to be interested in the shares of the Company held by Titan Shipyard Investment Company Limited ("TSICL") as TSICL is beneficially and wholly-owned by Mr. Tsoi. Mr. Tsoi is a director of Titan Oil, Great Logistics and TSICL. 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 2002 Share Option Scheme.

Note 3: 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 4: Based on 7,802,402,182 ordinary shares of the Company issued as at 30 June 2011.

Save as disclosed above, at 30 June 2011, 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

The Company adopted a share option scheme pursuant to an ordinary resolution passed on 31 May 2002 (as amended on 24 June 2010) (the "2002 Share Option Scheme").

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 20 June 2011, the Company adopted a new share option scheme (the "New Share Option Scheme") and terminated the 2002 Share Option Scheme. No further share options shall be offered under the 2002 Share Option Scheme but the options which had been granted, during the life of the 2002 Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of issue and in all other respects the provisions of the 2002 Share Option Scheme shall remain in full force and effect.

Movements in the share options during the six months ended 30 June 2011 under the 2002 Share Option Scheme and the New Share Option Scheme were set out below.

(a) 2002 Share Option Scheme

The following share options under the 2002 Share Option Scheme were outstanding at 30 June 2011:

Name or category of participant	Number of share options: At 1 January 2011	Granted during the period	Lapsed during the period	Exercised during the period***	At 30 June 2011	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	9,580,000	—	—	—	9,580,000	20 February 2006	20 February 2007 to 19 February 2012	0.72
	9,580,000	—	—	—	9,580,000	20 February 2006	20 February 2008 to 19 February 2013	0.72
	15,920,000	—	—	(620,000)	15,300,000	1 February 2008	1 February 2010 to 31 January 2015	0.45
	85,850,000	—	(460,000)	(7,860,000)	77,530,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	51,100,000	—	(2,020,000)	—	49,080,000	1 February 2008	1 February 2012 to 31 January 2017	0.45
	47,000,000	—	(2,260,000)	—	44,740,000	1 February 2008	1 February 2013 to 31 January 2018	0.45
	219,030,000	—	(4,740,000)	(8,480,000)	205,810,000			
	239,030,000	—	(4,740,000)	(8,480,000)	225,810,000			

* 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 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 were 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.

*** The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$0.633.

During the period, no share options were cancelled.

(b) New Share Option Scheme

No share options have been granted pursuant to the New Share Option Scheme since its adoption.

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 2011, 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 11)
Ms. Tsoi Yuk Yi	Interest of spouse/ Interest of a controlled corporation	3,733,557,083 (Note 5)	47.85
Titan Oil	Interest of a controlled corporation/ Beneficial owner	3,244,399,788 (Note 6)	41.58
Great Logistics	Beneficial owner	2,860,700,202 (Note 7)	36.66
Moral Base Investment Limited	Beneficial owner	1,000,000,000	12.82
Mr. Wong Chi Leung	Interest of a controlled corporation/ Interest of spouse	1,000,000,000 (Note 8)	12.82
Ms. Wong Kwok Ying	Interest of a controlled corporation/ Interest of spouse	1,000,000,000 (Note 8)	12.82
Saturn Petrochemical Holdings Limited	Beneficial owner	857,795,031	10.99
Warburg Pincus & Co.	Interest of a controlled corporation	857,795,031 (Note 9)	10.99
Warburg Pincus IX, LLC	Interest of a controlled corporation	857,795,031 (Note 9)	10.99

Name	Capacity	Number of shares and underlying shares	Approximate % of shareholding (Note 11)
Warburg Pincus Partners LLC	Interest of a controlled corporation	857,795,031 (Note 9)	10.99
Warburg Pincus Private Equity IX, L.P.	Interest of a controlled corporation	857,795,031 (Note 9)	10.99
Grand China Logistics Holding (Group) Company Limited	Beneficial owner	500,000,000	6.41
Haikou Meilan International Airport Co., Ltd.	Interest of controlled corporations	500,000,000 (Note 10)	6.41
Hainan Development Holdings Co., Ltd.	Interest of controlled corporations	500,000,000 (Note 10)	6.41
TSICL	Beneficial owner	395,369,018 (Note 5)	5.07

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 TSICL is beneficially and wholly-owned by Mr. Tsoi, Ms. Tsoi is deemed to be interested in the shareholding interests of TSICL in the Company. Ms. Tsoi is also deemed to be interested in the shareholding interests of Vision Jade in the Company as a result of her shareholding in Vision Jade.

Note 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"), which is legally and beneficially 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. have 100% control over Saturn Petrochemical Holdings Limited, Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus IX, LLC and Warburg Pincus Private Equity IX, L.P. are deemed to be interested in the shareholding interest of Saturn Petrochemical Holdings Limited in the Company.

Note 10: Pursuant to the SFO, as Haikou Meilan International Airport Co., Ltd. ("Haikou Meilan") together with its fellow corporations namely Yangtze River Investment Holding Co., Ltd. and Bohai International Trust Co., Ltd. are interested in more than one-third of the equity interest in Grand China Logistics Holding (Group) Company Limited ("Grand China Logistics"), Haikou Meilan is deemed to be interested in the shareholding interest of Grand China Logistics in the Company.

Pursuant to the SFO, as Hainan Development Holdings Co., Ltd ("Hainan Development") together with its fellow corporations namely Grand China Air Co., Ltd and Hainan Airlines Co., Ltd., which, in turn, are interested in more than one-third of the equity interest in Haikou Meilan, Hainan Development is deemed to be interested in the shareholding interest of Grand China Logistics in the Company.

Note 11: Based on 7,802,402,182 ordinary shares of the Company issued as at 30 June 2011.

Save as disclosed above, at 30 June 2011, 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

During the six months ended 30 June 2011, the Company purchased a number of its PIK Notes Due 2015 (the "Notes") in an aggregate principal amount of US$1,040,000 (approximately HK$8,112,000). The 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 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 ("Listing Rules") during the six months ended 30 June 2011, except for a deviation 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, 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 periodically reviews the effectiveness of this arrangement and will take any appropriate action should circumstances necessitate.

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 standards set out in the Model Code during the six months ended 30 June 2011.

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 2011 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.