2012 Interim Report

Titan Petrochemicals Group Limited

(Provisional Liquidators appointed)
(Incorporated in Bermuda with limited liability)
(Stock Code: 1192)

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Zhao Xu Guang, *Chairman*
Tang Chao Zhang, *Chief Executive*
Patrick Wong Siu Hung
Fu Yong Yuan

Non-executive Directors

Fan Qinghua
Hu Zhong Shan

Independent Non-executive Directors

John William Crawford, *JP*
Abraham Shek Lai Him, *GBS, JP*
Foo Meng Kee

AUDIT COMMITTEE

John William Crawford, *JP, Committee Chairman*
Abraham Shek Lai Him, *GBS, JP*
Foo Meng Kee

REMUNERATION COMMITTEE

Foo Meng Kee, *Committee Chairman*
Abraham Shek Lai Him, *GBS, JP*
Hu Zhong Shan

NOMINATION COMMITTEE

Abraham Shek Lai Him, *GBS, JP, Committee Chairman*
Patrick Wong Siu Hung
Foo Meng Kee

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
30 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China
China Construction Bank
Citibank, N.A.
Industrial and Commercial Bank of China
The Hongkong and Shanghai Banking Corporation Limited
Shanghai Pudong Development Bank
Ping An Bank

AUDITORS

HLB Hodgson Impey Cheng Limited

SOLICITORS

White & Case
Reed Smith Richards Butler
TSMP Law Corporation
Marshall Diel & Myers Limited
Bedell Group
SCA Cregue
Conyers, Dill & Pearman
Beijing B&D (Guangzhou) Law Firm

PRINCIPAL REGISTRARS

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG BRANCH REGISTRARS

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

WEBSITE

www.petrotitan.com

STOCK CODE

1192

CHAIRMAN'S STATEMENT

Shareholders of Titan Petrochemicals Group Limited (the "Company", together with its subsidiaries, the "Group") and potential investors are advised to read this interim report in conjunction with the 2012 annual report published by the Company on the same day.

The Group encountered severe liquidity difficulties in the first half of 2012 and in conjunction therewith faced with a number of significant litigation actions against the Company. These exerted additional pressure on the Group's operations which had already been adversely affected by on-going global economic uncertainties and the continued volatile oil and shipping price fluctuations in recent years.

FINANCIAL DISTRESS TRIGGERED BY DEFAULT UNDER THE TITAN QUANZHOU SHIPYARD TRANSACTION

The financial stress of the Group was triggered by the failure of Grand China Logistics Holding (Group) Company Limited ("Grand China Logistics") to comply with its payment obligations under the sale and purchase agreement for the Group's disposal of a 95% equity interest in Titan Quanzhou Shipyard Co. Ltd. ("Titan Quanzhou Shipyard"). While partial payment amounting to RMB740 million (equivalent to approximately HK$912.58 million) was received by the Group in 2011, Grand China Logistics did not make the residual payments totalling RMB726 million (equivalent to approximately HK$895.32 million) thereafter.

As the proceeds from the above disposal were originally earmarked for debt repayments and operations, the Company was not able to repay its fixed rate senior loan notes due 2012 which were issued by the Company on 17 March 2005 (the "Senior Notes Due 2012") in the principal amount of US$105.87 million (equivalent to approximately HK$825.79 million) when it matured in March 2012. This default triggered or started a chain-reaction which led to the default on the Senior Notes Due 2012 and other indebtedness and, thereby, putting the Group in an extremely difficult financial position to carry on normal business operations.

FAILURE TO SETTLE REDEMPTION IN RESPECT OF PREFERRED SHARES

The repayment default on the Senior Notes Due 2012 then caused a cross default in respect of a bilateral loan with a financial institution in the outstanding principal amount of US$0.75 million (equivalent to approximately HK$5.85 million) and these accumulated events eventually led to the early redemption of the convertible redeemable preferred shares of HK$0.01 each issued by the Company (the "Preferred Shares") in the amount of US$39.85 million (equivalent to approximately HK$310.83 million). This, in turn led to a winding-up petition being filed against the Company with the Supreme Court of Bermuda (the "Bermuda Court") in July 2012.

APPOINTMENT OF LIQUIDATORS IN RESPECT OF TGIL ASSETS

The Group and Saturn Storage Limited ("SSL") were previously interested in 49.9% and 50.1%, respectively, in the shares in Titan Group Investment Limited ("TGIL") which owned certain onshore storage facilities in the People's Republic of China (the "PRC"). SSL filed an application with the Eastern Caribbean Supreme Court of the British Virgin Islands (the "BVI Court") in June 2012 to liquidate TGIL subsequent to its stated redemption rights under the convertible preferred shares and convertible unsecured notes issued by TGIL. In July 2012, the BVI Court ordered the liquidation of TGIL and liquidators were appointed. Despite the extensive efforts made to retain TGIL's business which were of strategic value to the Group's operations, the Group eventually lost control over TGIL and its related assets in July 2012 in the process of the liquidation of TGIL. The business of TGIL, therefore, has been classified as discontinued operations in the interim report.

CHAIRMAN'S STATEMENT

Facing severe financial and operational constraints resulting from the above events, thereafter, the Company undertook a number of initiatives to strengthen its management, mitigate operational risks, and increase financial resources including, but not limited to, the following:

1, Messrs Zhao Xu Guang and Fu Yong Yuan were appointed as new executive directors to the board of directors of the Company (the "Board") in July 2012 to steer the Company with new perspectives. Mr. Tsoi Tin Chun, founder of the Group, stepped down from his role as the Chief Executive in January 2012 but remained as the Chairman of the Board until July 2012;

2. Negotiations were initiated with potential strategic investors in respect of possible equity investments in the Company;

3. Efforts were devoted to exploring and developing plans to restructure the debt and rebuild the equity status of the Group; and

4. Financial and operational reviews were undertaken to improve cash flow management with a view to conserving productive assets and operations.

OUTLOOK

The management is aware that the Group is in a preservation position filled with many challenges and obstacles ahead, both in terms of its financial position and its business operations, particularly given the uncertain global economic outlook and tightened monetary measures worldwide. The Group has been taking active steps to review its current position so as to formulate balanced restructuring proposals that take into consideration the interests of all stakeholders. With the support of our bondholders and, most importantly, our shareholders, we are determined to rescue the Company from its current financial problems, finalise our debt restructuring plans, resolve or settle all litigation matters, have the winding up petition against the Company struck out and resume trading of the Company's shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in the near future.

Zhao Xu Guang
Chairman

Hong Kong, 14 February 2014

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the six months ended 30 June 2012, the Group's revenue from continuing operations was HK$815 million, compared to HK$811 million for the same period prior year. The loss before tax from continuing operations reduced to HK$219 million, compared to the loss of HK$233 million in the same period of 2011. The net loss for the period widened to HK$1,468 million, mainly comprised of the loss on early redemption of the TGIL preferred shares and the TGIL Notes Due 2014 amounting to HK$1,167 million, and the loss before tax of HK$219 million from continuing operations due to business deterioration of the offshore storage, transportation and supply of oil products and provision of bunker refueling services business segments and increased finance costs.

In view of the Group's financial position, the Board does not recommend to declare any interim dividends for the first half of 2012.

BUSINESS REVIEW

The Group has been a provider of logistics, transportation, distribution and marine services for petrochemical products in the Asia Pacific region and, in particular, in China. In addition, it has developed and provided management services for a multi-functional shiprepair and shipbuilding yard which is one of the largest of its kind in Asia.

CONTINUING OPERATIONS

Floating Storage Units (Offshore Storage)

The Group provided oil storage, transit and blending services in Asia on a year round basis. Revenue from this business segment for the period under review decreased by 9% to HK$235 million compared to the prior year period. At the same time, the segment earning before interest, tax, depreciation and amortisation ("EBITDA") increased to HK$20 million as compared to HK$7 million in the same period prior year.

During the period under review, the Group operated seven Floating Storage Units ("FSUs") and commercially managed one other in Singapore and Malaysia, which enabled ship-to-ship operations with fully laden very large crude carriers ("VLCCs"), with a combined capacity of 2.5 million cubic meters. The Group was the first in Asia, and the only fleet to operate double-hulled FSUs have passed the inspections of oil companies and received valid SIRE reports.

Transportation

The Group offered transportation services for oil and petrochemical products to customers in the Southeast Asian region during the period under review. Owing to volatile oil price fluctuations and the uncertain market status, revenues from this business segment decreased by 2% to HK$188 million compared to the same period in 2011. The segment loss before interest, tax, depreciation and amortisation ("LBITDA") dropped to HK$71 million, down from HK$91 million in the same period prior year.

Supply of Oil Products and Provision of Bunker Refueling Services

The Group engaged in the supply of oil products and the provision of bunker refueling services. Revenue from this business segment increased by 8% over the prior year period to HK$392 million in the first half of 2012.

With a total capacity of 486,126 dwt, the Group operated 12 tankers and VLCCs in the first half of 2012. During the period under review, the Group faced with several challenges from high bunker prices and competition from new emerging owners in Malaysia, China, and Vietnam, the Group continued to offer competitive and consistent quality services to clients and its vessels met all local and international requirements including those of the oil majors.

DISCONTINUED OPERATIONS

Shipbuilding (Shipyard)

The Group entered into a sale and purchase agreement for the disposal of its 95% equity interest in Titan Quanzhou Shipyard to Grand China Logistics for RMB1,866 million (equivalent to approximately HK$2,175 million) in December 2010. This transaction, however, had not yet been completed as of 30 June 2012 as Grand China Logistics failed to comply with its payment obligations, so this business continues to be classified as "discontinued operations".

Due to the adverse shipbuilding market conditions during the period, the revenue from this business segment decreased by 69% to HK$13 million, and segment LBITDA was HK$134 million as compared to segment EBITDA of HK$8 million in the same period of 2011.

China Terminals (Onshore Storage)

The Group, through TGIL, in the past operated one of the leading onshore storage terminals in the People's Republic of China (the "Mainland China" or the "PRC") with an aggregate capacity of over 2.7 million cubic meters at strategical locations along the coastline at Guangdong Nansha, Fujian Quanzhou, Shanghai Yangshan and Shandong Yantai. This business arm, as stated later in this report, was under a liquidation petition in the period under review.

Revenue from the Onshore Storage business from China Terminals decreased by 31% to HK$77 million, and the segment LBITDA widened to HK$985 million during the period. The decline was attributable to the continued volatile market in oil prices since mid-2011 which resulted in lower utilisation of the facilities and to disruption to operations arising from the related litigation issues.

LIQUIDITY, FINANCIAL RESOURCES, CHARGES ON ASSETS AND GEARING

As at 30 June 2012, the Group net liabilities amounted to HK$602 million, compared to net assets of HK$1,107 million as at 31 December 2011.

The Group financed 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 2012,

a) The Group had:

- Cash and bank balances of HK$38 million (31 December 2011: HK$221 million) of which HK$0.2 million (31 December 2011: HK$62 million) was from the discontinued operation in respect of the shipbuilding segment; pledged deposits and restricted cash of HK$1,136 million (31 December 2011: HK$1,132 million) of which HK$21 million (31 December 2011: HK$7 million) was from the discontinued operation in respect of the shipbuilding segment. These balances were comprised of:

  – an equivalent of HK$30 million (31 December 2011: HK$38 million) denominated in US dollars

  – an equivalent of HK$0.5 million (31 December 2011: HK$1 million) denominated in Singapore dollars

MANAGEMENT DISCUSSION AND ANALYSIS

 - an equivalent of HK$1,142 million (31 December 2011: HK$1,313 million) of which HK$22 million (31 December 2011: HK$69 million) was from the discontinued operation, denominated in RMB

 - HK$2 million (31 December 2011: HK$2 million) in Hong Kong dollars

- Interest-bearing bank loans of HK$3,034 million (31 December 2011: HK$4,838 million) of which HK$2,372 million (31 December 2011: HK$2,338 million) was from the discontinued operation of shipbuilding segment. Floating rate loans denominated in US dollars amounted to HK$538 million (31 December 2011: HK$544 million). Group bank loans having maturities within one year amounted to HK$2,977 million (31 December 2011: HK$3,869 million) of which HK$2,316 million (31 December 2011: HK$2,259 million) related to the discontinued operation in respect of the shipbuilding segment

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$899 million (31 December 2011: HK$902 million)

- Bank balances and deposits of HK$1,073 million (31 December 2011: HK$1,065 million)

- Machinery with an aggregate net carrying value of HK$172 million (31 December 2011: HK$218 million)

- Buildings with an aggregate net carrying value of HK$370 million (31 December 2011: HK$480 million)

- Prepaid land/seabed lease payments with an aggregate net carrying value of HK$542 million (31 December 2011: HK$915 million)

- At 31 December 2011, storage facilities with an aggregate net carrying value of HK$1,563 million. At 30 June 2012, no storage facilities were pledged for the Group's banking and other facilities due to the deconsolidation of a jointly-controlled entity

- Corporate guarantees executed by the Company

- Personal guarantees executed by a related party and a former director of the Company

- Certain Company shares owned by related parties of the Company

c) The Senior Notes Due 2012 of HK$861 million (31 December 2011: HK$845 million), the guaranteed senior convertible notes (the "Convertible Notes Due 2015") of HK$356 million (31 December 2011: HK$328 million) and the guaranteed senior payment-in-kind notes (the "PIK Notes Due 2015") of HK$89 million (31 December 2011: HK$84 million) were secured by the shares of certain subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

d) The Group, including those assets of a disposal group classified as held for sale and liabilities directly associated with the assets classified as held for sale, had:

- Current assets of HK$6,630 million (31 December 2011: HK$6,438 million) and total assets of HK$6,816 million (31 December 2011: HK$10,623 million) of which HK$4,685 million (31 December 2011: HK$4,834 million) was from the discontinued operation of the shipbuilding segment; and current assets of HK$159 million and total assets of HK$4,145 million as at 31 December 2011 were from a deconsolidated jointly-controlled entity but HK$276 million and HK$4,185 million of current assets and total assets were derecognised upon the deconsolidation of a jointly-controlled entity as at 30 June 2012

- Total bank loans of HK$3,034 million (31 December 2011: HK$4,838 million) of which HK$2,372 million (31 December 2011: HK$2,338 million) was from the discontinued operation in respect of the shipbuilding segment; and total bank loans of HK$1,879 million as at 31 December 2011 was from a deconsolidated jointly-controlled entity, but HK$1,847 million was derecognised upon the deconsolidation of a jointly-controlled entity as at 30 June 2012

- The Senior Notes Due 2012 of HK$861 million (31 December 2011: HK$845 million)

- The Convertible Notes Due 2015 of HK$356 million (31 December 2011: HK$328 million)

- The PIK Notes Due 2015 of HK$89 million (31 December 2011: HK$84 million)

- Convertible preferred shares issued by the Company (the "Titan preferred shares") with a liability portion of HK$384 million (31 December 2011: HK$363 million)

- Convertible preferred shares issued by TGIL (the "TGIL preferred shares") were classified as a non-current liability of HK$399 million as at 31 December 2011, but were derecognised upon the deconsolidation of a jointly-controlled entity as at 30 June 2012

- Notes payable (the "K-Line Notes Due 2013") were classified as a current liability to the extent of the liability portion in the amount of HK$201 million (31 December 2011: HK$197 million)

- At 31 December 2011, convertible unsecured notes (the "TGIL Notes Due 2014") were classified as a non-current liability to the extent of the liability portion in the amount of HK$93 million, but were derecognised upon the deconsolidation of a jointly-controlled entity as at 30 June 2012

e) The Group's current ratio was 0.95 (31 December 2011: 0.84). The gearing of the Group, calculated as the total bank loans, the Senior Notes Due 2012, the Convertible Notes Due 2015, the K-line Notes Due 2013, the PIK Notes Due 2015 and the TGIL Notes Due 2014 to total assets, increased to 0.67 (31 December 2011: 0.60).

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2012, the Group had 964 employees (31 December 2011: 1,140) of which 445 employees (31 December 2011: 509) worked in Mainland China, and 496 employees and 23 employees (31 December 2011: 609 and 22) were based in Singapore and Hong Kong, respectively. Included in those working in Mainland China for the Group, 434 employees (31 December 2011: 494) were from Titan Quanzhou Shipyard. In addition, a jointly-controlled entity to which provisional liquidators were appointed on 17 July 2012 (BVI time) for the onshore storage operations also had 386 employees (31 December 2011: 399) in Mainland China. Remuneration packages including basic salaries, bonuses and benefits-in-kind, were 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 2012.

LITIGATION

a) Bermuda Proceedings

On 4 July 2012, the Company received from Saturn Petrochemical Holdings Limited ("SPHL") a notice to redeem all of the outstanding Titan preferred shares held by it at a redemption amount equal to the notional value of the Titan preferred shares (being HK$310.8 million) together with any accrued and unpaid dividends. Redemption monies were payable 30 business days after the date of the redemption notice.

SPHL filed a petition for the winding-up of the Company on 5 July 2012 (Bermuda time) (the "SPHL Petition") and made an application seeking the appointment of joint provisional liquidators on 27 August 2012 (Bermuda time) with the Bermuda Court. The SPHL Petition, which remained undismissed or unstayed for a period of 60 consecutive days (i.e. on or before 6 September 2012 (Bermuda time)), caused an event of default to occur under the PIK Notes Due 2015 and the Convertible Notes Due 2015.

The SPHL Petition was subsequently struck out by the Bermuda Court, and KTL Camden Inc. ("Camden") was substituted as the petitioner in place of SPHL upon its application to the Bermuda Court. Camden claimed that Titan Storage Limited, a subsidiary of the Company, failed to pay certain hiring charges to Camden pursuant to a bareboat charter party contract and that the Company was liable to Camden for such hiring charges plus interest thereon pursuant to a deed of guarantee issued by the Company in favour of Camden.

On 16 August 2013, the Bermuda Court, upon the application by Camden, ordered an injunction restraining the Company from (i) disposing of any property, including things in action, belonging to the Company; or (ii) consenting to or approving the disposal of property, including things in action, belonging to any subsidiary (as defined in section 86 of the Companies Act 1981) of the Company, without the approval of the Bermuda Court or without 7 days' written notice of the same to Camden.

On 18 October 2013 (Bermuda time), the Bermuda Court ordered the appointment of two joint provisional liquidators to the Company with specified powers as set out in the announcement of the Company dated 22 October 2013. The Bermuda Court subsequently requested the Company to consult with and agree an extension of the powers of the joint provisional liquidators for the purpose of enabling the joint provisional liquidators to discharge their duties to properly advise the Bermuda Court on the feasibility of the restructuring proposals put forward by the Company.

The winding up petition by Camden were adjourned to 14 February 2014 (Bermuda time).

MANAGEMENT DISCUSSION AND ANALYSIS

b) British Virgin Islands ("BVI") Proceedings

On 18 June 2012, the Company received from SSL two notices to exercise its redemption rights under the TGIL preferred shares and the TGIL Notes Due 2014, and SSL applied for an order to appoint joint and several provisional liquidators for, and to liquidate TGIL.

On 17 July 2012 (BVI time), the BVI Court ordered (the "Order") the liquidation of TGIL and that Russell Crumpler of KPMG (BVI) Limited, Edward Middleton and Patrick Cowley of KPMG be appointed as joint and several liquidators of TGIL with standard powers under the BVI Insolvency Act 2003. The fourth liquidator, Stuart Mackellar of Zolfo Cooper (BVI) Limited, was appointed with limited powers.

On 18 July 2012 (BVI time), Titan Oil Storage Investment Limited ("TOSIL"), a wholly-owned subsidiary of the Company and a shareholder of TGIL, filed a notice of appeal at the Court of Appeal of the Eastern Caribbean Supreme Court (the "BVI Court of Appeal") against the Order and applied for a stay of execution of the Order pending the determination of the appeal. The stay application was subsequently withdrawn.

The BVI Court of Appeal was stayed until 20 March 2013 (BVI time) by the consent of TOSIL as appellant and SSL and TGIL as respondents.

The Company, TGIL, TOSIL and SSL have been in negotiations on the BVI proceedings, however, up to the date of this report, there is no assurance that a settlement on the BVI proceedings will be reached by the Company.

c) Hong Kong Proceedings

On 19 July 2012, the Company received from SSL a writ of summons (the "Writ") issued in the Court of First Instance in the High Court of the Hong Kong Special Administrative Region (the "Hong Kong Court") with an indorsement of claim against the Company and other parties including its wholly-owned subsidiary, TOSIL, and two directors of the Company. SSL alleged in the Writ among other things (a) breach of the amended and restated investor rights agreement (the "IRA") in respect of TGIL dated 17 July 2009; and (b) misrepresentations regarding the financial position of TGIL, and its subsidiaries. SSL seeks, amongst other remedies, specific performance of the IRA, injunctive relief, declaratory relief, an indemnity, damages, interest and costs.

The Hong Kong Court, amongst other things, stayed the proceedings for a period of 90 days and the stay was subsequently extended until 15 March 2013.

On 15 November 2013, SSL was ordered by the Hong Kong Court to provide security in various sums for the defendants' costs of the proceedings. SSL has yet to comply with this order and the proceedings are presently stayed. The Hong Kong proceedings will continue in accordance with the rules of the Hong Kong Court or as otherwise ordered by it.

The Company and TOSIL have been in negotiations with SSL with a view to reaching a settlement with SSL relating to the Writ. Up to the date of this report, there is no assurance that a settlement on the Writ will be reached by the Company, TOSIL and SSL.

d) **PRC Proceedings**

On 30 May 2012, 泰山石化（福建）有限公司 (Titan Petrochemicals (Fujian) Ltd*)("Titan Fujian"), a wholly-owned subsidiary of the Company, received a summons issued by 上海市第一中級人民法院 (Shanghai No. 1 Intermediate People's Court) (the "Shanghai Intermediate Court") with Grand China Logistics as plaintiff and the Company, Titan Fujian and Titan TQSL Holding Company Ltd（泰山泉州船厂控股有限公司）("Titan TQSL"), another wholly-owned subsidiary of the Company, as defendants. Grand China Logistics sought an order for, amongst other things, the termination of the sale and purchase agreement dated 11 December 2010 (as supplemented by the supplemental agreements thereto) among Titan TQSL, Titan Fujian, the Company and Grand China Logistics in respect of the sale and purchase of the Group's 95% equity interest in Titan Quanzhou Shipyard (the "GCL Sale and Purchase Agreement") and repayment to Grand China Logistics of the part payments in the aggregate amount of RMB740,000,000 together with accrued interest.

On 23 August 2012, Titan Fujian filed a statement of counterclaim against Grand China Logistics with the Shanghai Intermediate Court to seek, amongst other remedies, specific performance by Grand China Logistics of the GCL Sale and Purchase Agreement.

On 10 June 2013, the Company received a notification from Grand China Logistics dated 7 June 2013 informing the Company that it had entered into an assignment with Guangdong Zhenrong Energy Co., Ltd ("GZE") pursuant to which it would assign to GZE all of its interests, rights and obligations in respect of the GCL Sale and Purchase Agreement (the "Assignment") and, on the basis that none of the terms of the GCL Sale and Purchase Agreement would be changed as a result of the Assignment, the Company had no objection to the Assignment on 19 June 2013.

On 23 December 2013, the Shanghai Intermediate Court ordered the discontinuation of the proceedings in relation to the counterclaim lodged by Titan Fujian against Grand China Logistics on the grounds that, following the Assignment, Grand China Logistics was no longer the appropriate defendant for the counterclaim as it had transferred all its interests, rights and obligations in respect of the GCL Sale and Purchase Agreement to GZE.

On 26 December 2013, the Shanghai Intermediate Court approved the application by Grand China Logistics to the withdrawal of the claim initiated by Grand China Logistics against the Company, Titan TQSL and Titan Fujian in relation to the GCL Sale and Purchase Agreement.

PROPOSED DEBT RESTRUCTURING

On 25 November 2013, the Company announced, among other things, the following key indicative terms of a debt restructuring proposal:

a) the debt restructuring proposal will be implemented by way of a creditors' scheme of arrangement (the "Creditors' Scheme") and it is proposed that the following claims (the "Scheme Claims") will be recognised under the scheme:

   i) all indebtedness arising out of the Senior Notes Due 2012, the PIK Notes Due 2015 and the Convertible Notes Due 2015 (collectively, the "Existing Notes") (including principal and accrued interest); and

   ii) all liabilities arising out of the guaranteed notes issued by Titan Shipyard Holdings Ltd., recognised trade payables owed by the Company and recognised claims arising from amounts owed by subsidiaries within the Group which have been guaranteed by the Company;

b) pursuant to the Creditors' Scheme, holders of Scheme Claims need to agree to settle their claims in exchange for:

   i) in the case of the holders of the Existing Notes, for every HK$1.00 of the amount of their claims arising under the Existing Notes:

      I) HK$0.10 in cash and HK$0.30 in new Shares to be issued by the Company at the same price per share as the initial conversion price of the convertible bonds to be issued by the Company under the Open Offer (the "Convertible Bonds"); or

      II) HK$0.20 in cash and HK$0.10 in new Shares to be issued by the Company at the same price per share as the initial conversion price of the Convertible Bonds and, if any holder of the Existing Notes fails to make a selection before a specified deadline to be agreed, the Company will, at its sole discretion, select one of the above options on behalf of that holder;

   ii) in the case of the holders of unsecured claims, for every HK$1.00 of the amount of their claims, HK$0.10 in cash;

c) the new Shares to be issued by the Company to the holders of the Existing Notes under the Creditors' Scheme will be subject to a lock-up period of 12 months;

d) the completion of the Creditors' Scheme will be conditional upon certain conditions;

e) the Company will seek agreement with GZE, whereby the GCL Sale and Purchase Agreement in relation to Titan Quanzhou Shipyard is proposed to be terminated and the amount of RMB740 million, being part payment of the purchase price under the Sale and Purchase Agreement is proposed to be applied, towards a subscription by GZE for new Shares in the Company (the "Shipyard Settlement");

f) the cash portion of the Creditors' Scheme will be funded by an open offer (the "Open Offer") of convertible bonds in the principal amount of HK$0.05 for every one existing share held by the qualifying shareholders (the terms of which are subject to finalisation) and the subscriptions of convertible bonds (the "CB Subscriptions") by New Berkeley Corporation, CGL Resources Ltd. and Wahen Investments Limited on substantially the same terms as the Open Offer (which are also subject to finalisation);

g) the Company, SPHL and GZE propose that the redemption notice in respect of the Titan preferred shares will be withdrawn and the Titan preferred shares will remain as part of the Company's capital structure on existing terms; and

h) the Creditors' Scheme, the Open Offer, the CB Subscriptions and the Shipyard Settlement will be inter-conditional upon each other and will all be conditional upon approval for resumption of trading in the Company's shares on the Stock Exchange.

SUSPENSION OF TRADING AND LISTING STATUS

Trading in the ordinary shares of the Company has been suspended since 19 June 2012.

The Company has been placed in the second stage of delisting under Practice Note 17 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The second delisting stage will expire on 21 May 2014. At the end of the period, the Stock Exchange will determine whether to place the Company in the third stage of delisting. The Company is required to submit a viable resumption proposal to the Stock Exchange by 5 May 2014 to address the following:

i) the Company must demonstrate sufficient operations or assets under Rule 13.24 of the Listing Rules;

ii) the Company must publish all outstanding financial results and address any audit qualifications; and

iii) the Company must have the winding up petition against the Company withdrawn or dismissed and the provisional liquidators discharged.

CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June 2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	5	**814,695**	811,181
Cost of sales		**(904,086)**	(902,145)
Gross loss		**(89,391)**	(90,964)
Other revenue		**30,949**	15,935
General and administrative expenses		**(67,735)**	(73,474)
Finance costs	8	**(92,706)**	(84,184)
Share of losses of associates		**–**	(99)
Loss before tax from continuing operations	10	**(218,883)**	(232,786)
Income tax expense	11	**(1,703)**	(492)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(220,586)**	(233,278)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	7	**(1,247,404)**	(18,276)
LOSS FOR THE PERIOD		**(1,467,990)**	(251,554)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
From continuing and discontinued operations			
Basic per share		**(HK18.77 cents)**	(HK3.23 cents)
Diluted per share		**(HK18.77 cents)**	(HK3.23 cents)
From continuing operations			
Basic per share		**(HK2.82 cents)**	(HK2.99 cents)
Diluted per share		**(HK2.82 cents)**	(HK2.99 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period	**(1,467,990)**	(251,554)
Other comprehensive (loss)/income:		
Exchange differences on translation of foreign operations	**(1,487)**	55,791
Total comprehensive loss for the period, net of tax, attributable to owners of the Company	**(1,469,477)**	(195,763)
Attributable to:		
Owners of the Company	**(1,469,477)**	(195,763)
Non-controlling interests	**–**	–
	(1,469,477)	(195,763)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**122,261**	2,960,620
Prepaid land/seabed lease payments		**26,622**	435,137
Licenses		**20,264**	21,133
Goodwill	15	**16,568**	434,571
Interests in associates		**–**	324,768
Deposits for construction in progress		**–**	8,273
Total non-current assets		**185,715**	4,184,502
CURRENT ASSETS			
Bunker oil		**18,437**	36,846
Inventories		**187,506**	2,891
Accounts receivable	16	**92,103**	83,501
Prepayments, deposits and other receivables		**495,470**	170,724
Amount due from a jointly-controlled entity		**–**	25,184
Pledged deposits and restricted cash		**1,114,759**	1,124,918
Cash and cash equivalents		**37,582**	159,782
		1,945,857	1,603,846
Assets of a disposal group classified as held for sale	7	**4,684,613**	4,834,243
Total current assets		**6,630,470**	6,438,089
CURRENT LIABILITIES			
Interest-bearing bank loans	17	**661,405**	1,609,849
Accounts and bills payable	18	**502,242**	469,839
Other payables and accruals	19	**1,372,235**	1,321,970
Amount due to a jointly-controlled entity		**–**	12,303
Fixed rate guaranteed senior notes	20	**860,882**	844,690
Liability portion of convertible preferred shares	23	**383,838**	363,176
Notes payable		**200,572**	197,464
Tax payable		**8,295**	18,458
Excess of progress billings over contract costs		**2,251**	–
		3,991,720	4,837,749
Liabilities directly associated with the assets classified as held for sale	7	**2,978,873**	2,843,577
Total current liabilities		**6,970,593**	7,681,326
NET CURRENT LIABILITIES		**(340,123)**	(1,243,237)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(154,408)**	2,941,265

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2012 (Unaudited) HK$'000**	31 December 2011 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	17	**–**	889,688
Guaranteed senior convertible notes	21	**356,291**	328,215
Guaranteed senior payment-in-kind notes	22	**88,598**	84,483
Liability portion of convertible preferred shares	23	**–**	398,932
Liability portion of convertible unsecured notes	24	**–**	92,901
Deferred tax liabilities		**2,518**	40,455
Total non-current liabilities		**447,407**	1,834,674
Net (liabilities)/assets		**(601,815)**	1,106,591
(DEFICIENCY IN ASSETS)/EQUITY			
(Deficiency)/Equity attributable to owners of the Company			
Share capital	25	**78,206**	78,206
Equity portion of convertible preferred shares	23	**75,559**	75,559
(Deficits)/reserves	26	**(755,580)**	390,728
		(601,815)	544,493
Equity portion of convertible unsecured notes in a jointly-controlled entity	24	**–**	85,015
Contingently redeemable equity in a jointly-controlled entity	23	**–**	477,083
Total (deficiency in assets)/equity		**(601,815)**	1,106,591

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Equity portion of convertible unsecured notes in a jointly-controlled entity	Contingently redeemable equity in a jointly-controlled entity	Total (deficiency in assets)/ equity
	Share capital	Convertible preferred shares	(Deficits)/ reserves (note 26)	Sub-total			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2012 (Audited)	**78,206**	**75,559**	**390,728**	**544,493**	**85,015**	**477,083**	**1,106,591**
Loss for the period	**–**	**–**	**(1,467,990)**	**(1,467,990)**	**–**	**–**	**(1,467,990)**
Other comprehensive loss for the period:							
Exchange differences on translation of foreign operations	**–**	**–**	**(1,487)**	**(1,487)**	**–**	**–**	**(1,487)**
Total comprehensive loss for the period	**–**	**–**	**(1,469,477)**	**(1,469,477)**	**–**	**–**	**(1,469,477)**
Equity-settled share option arrangements	**–**	**–**	**(313)**	**(313)**	**–**	**–**	**(313)**
Realised on deemed disposals of partial interest in a jointly-controlled entity	**–**	**–**	**(4)**	**(4)**	**(618)**	**(3,470)**	**(4,092)**
Transfers of equity portion of convertible preferred shares and convertible unsecured notes to accumulated losses upon redemption	**–**	**–**	**558,010**	**558,010**	**(84,397)**	**(473,613)**	**–**
Released upon deconsolidation of a jointly-controlled entity	**–**	**–**	**(234,524)**	**(234,524)**	**–**	**–**	**(234,524)**
At 30 June 2012 (Unaudited)	**78,206**	**75,559**	**(755,580)**	**(601,815)**	**–**	**–**	**(601,815)**
At 1 January 2011 (Audited)	77,667	75,559	980,062	1,133,288	92,277	517,837	1,743,402
Loss for the period	–	–	(251,554)	(251,554)	–	–	(251,554)
Other comprehensive income for the period:							
Exchange differences on translation of foreign operations	–	–	55,791	55,791	–	–	55,791
Total comprehensive loss for the period	–	–	(195,763)	(195,763)	–	–	(195,763)
Equity-settled share option arrangements	–	–	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	806,996	960,579	92,277	517,837	1,570,693

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
Net cash flows from/(used in):		
Operating activities	**8,964**	334,309
Investing activities	**(246,230)**	(376,906)
Financing activities	**51,120**	(49,258)
Net decrease in cash and cash equivalents	**(186,146)**	(91,855)
Cash and cash equivalents at beginning of period	**221,408**	252,573
Effect of foreign exchange rate changes, net	**2,541**	4,484
Cash and cash equivalents at end of period	**37,803**	165,202
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**37,582**	158,617
Cash and bank balances attributable to discontinued operation	**221**	6,585
Cash and cash equivalents as stated in condensed consolidated statement of cash flows	**37,803**	165,202
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents per condensed consolidated statement of cash flows	**37,803**	165,202
Cash and bank balances attributable to discontinued operation	**(221)**	(6,585)
Cash and cash equivalents as stated in the consolidated statement of financial position	**37,582**	158,617

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 (collectively, the "Group") for the six-month period ended 30 June 2012 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"). These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Loss of access to books and records of the Group

The directors of the Company (the "Directors") have used their best endeavors to locate all the financial and business records of the Group. The access to most of the books and records of its subsidiaries which operated in Singapore have not been able to be located as a consequence of the re-location of the operating office and servers, together with the resignation of key management and the fact that most of the former operating and accounting personnel have since left the Group. Compounding the difficulties in obtaining information is the fact that most of the Singapore subsidiaries were put into liquidation in 2013 and the records have since been under the control of a liquidator. As a result, the Directors have been unable to obtain sufficient information to satisfy themselves regarding the treatment of various related transactions and balances of the Group for the period ended 30 June 2012.

1.1 GOING CONCERN BASIS

During the six-month period ended 30 June 2012, the Group incurred a loss of HK$1,467,990,000 and, as of that date, the Group had net current liabilities and net liabilities of HK$340,123,000 and HK$601,815,000 respectively. These conditions, together with events set out below, indicate the existence of material uncertainties which may have a significant effect on the Group's ability to continue as a going concern.

Legal proceedings in which the Group are involved are summarised below:

a) Proceedings

i) Bermuda proceedings

On 9 July 2012 (Bermuda time), Saturn Petrochemical Holdings Limited ("SPHL") served on the Company a petition (the "SPHL Petition") at the Supreme Court of Bermuda (the "Bermuda Court") for an order, amongst other things, to wind up and to appoint a provisional liquidator against the Company.

On 23 July 2013 (Bermuda time), the Bermuda Court ordered (i) the SPHL Petition be struck out, and the Company be awarded the costs of the SPHL Petition up to the date upon which the skeleton argument for the strike-out application was filed; (ii) KTL Camden Inc ("Camden") (the "Camden Petition") was allowed to be substituted as the petitioner in place of SPHL.

On 18 October 2013 (Bermuda time), the Bermuda Court ordered the appointment of Mr. Gath Calow and Ms. Alison Tomb, both of PricewaterhouseCoopers, as the joint provisional liquidators ("JPLs") of the Company with limited powers.

The hearing of the Camden Petition was adjourned to 14 February 2014 (Bermuda time), further details of which are set out in note 30.

1.1 GOING CONCERN BASIS (Continued)

a) Proceedings (Continued)

ii) Britain Virgin Islands ("BVI") proceedings

On 18 June 2012, the Company received from Saturn Storage Limited ("SSL") two notices to exercise its redemption rights under Titan Group Investment Limited ("TGIL") convertible preferred shares (the "TGIL preferred shares") and TGIL convertible unsecured notes (the "TGIL Notes Due 2014"), and SSL applied for an order to appoint joint and several provisional liquidators for, and to liquidate TGIL.

On 17 July 2012 (BVI time), the Eastern Caribbean Supreme Court (the "BVI court") ordered (the "Order") the liquidation of TGIL. This resulted to a loss of joint control over TGIL and its subsidiaries (collectively, the "TGIL Group"), further details of which are set out in notes 2 and 30.

b) Debt restructuring

The directors have adopted the going concern basis in the preparation of the consolidated financial statements and have implemented measures in order to improve the working capital, liquidity and cash flow position of the Group.

The Company is in discussions with the Group's creditors and potential creditors as well as Guangdong Zhenrong Energy Co., Ltd. ("GZE"), CGL Resources Ltd. ("CGL Resources"), New Berkeley Corporation ("New Berkeley") and Wahen Investments Limited ("Wahen Investments") (collectively, the "CB Subscribers") to devise a debt restructuring proposal for the Group. Further details of the debt restructuring proposal are set out in note 32.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed and that, following such financial restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue to operate as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. DECONSOLIDATION OF A JOINTLY-CONTROLLED ENTITY

The joint control of the Company over the TGIL Group has been lost upon occurrence of the external restrictions and events during the period. Further details of the deconsolidation of a joint-controlled entity are set out in note 9.

Details of companies in the TGIL Group are set out below.

Jointly-controlled entity

TGIL

TGIL subsidiaries

Forever Fortune Holdings Limited
Fujian Titan Petrochemical Storage Development Co., Ltd. ("FJ Titan")
Guangzhou Nansha Titan Petrochemical Development Company Limited ("GZ Nansha")
Quanzhou Titan Petrochemical Terminal Development Co., Ltd. ("QZ Titan")
Sky Sharp Investments Limited
Titan Group Yangshan Investment Limited
Titan Group Yantai Investment Limited
Titan Investment Group Limited
Titan WP Storage Ltd.
Titan Group Nansha Investment Limited

TGIL associates

Guangzhou Xiaohu Petrochemical Terminal Co., Ltd
Yangshan Shen Gang International Oil Logistics Co., Ltd.

TGIL jointly-controlled entity

Yantai Titan Petrochemical Port Development Company Limited

On 17 July 2012 (BVI time), Russell Crumpler of KPMG (BVI) Limited, together with Edward Middleton and Patrick Cowley of KPMG were appointed as joint and several liquidators of TGIL with standard powers under the BVI Insolvency Act 2003. A fourth liquidator, Stuart Mackellar of Zolfo Cooper (BVI) Limited, was appointed with limited powers.

3. RESTATEMENTS OF PRIOR YEAR FIGURES

In preparing the Company's financial statements for the six months ended 30 June 2012, the Company has made a retrospective restatement in its statement of financial position as at 31 December 2011 and 1 January 2011. The retrospective restatement related to the omission in prior years of a financial guarantee contract provided by the Company to its subsidiary in the Company's statement of financial position. As a result, the financial guarantee contract liabilities of the Company have increased by HK$41,855,000 (1 January 2011: HK$55,900,000) and the interest in subsidiaries of the Company have increased by the same amount as at 31 December 2011 and 1 January 2011.

3. RESTATEMENTS OF PRIOR YEAR FIGURES (Continued)

A summary of the effects of the correction of the above prior year retrospective statement on the Company's statements of financial position is set out below.

Statement of financial position as at 31 December 2011

	As previously reported HK$'000	Effect of correction in prior year HK$'000	As restated HK$'000
Interests in subsidiaries	3,631,161	41,855	3,673,016
Financial guarantee contracts	8,549	41,855	50,404

Statement of financial position as at 1 January 2011

	As previously reported HK$'000	Effect of correction in prior year HK$'000	As restated HK$'000
Interest in subsidiaries	5,163,591	55,900	5,219,491
Financial guarantee contracts	8,549	55,900	64,449

4. 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 consolidated financial statements for the year ended 31 December 2011 except that the Group has adopted the following amended Hong Kong Financial Reporting Standards ("HKFRSs") and HKAS issued by the HKICPA which became effective for accounting periods beginning on or after 1 January 2012.

HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*
HKFRS 1 Amendments	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*

The adoption of the above amendments has had no material impact on the Group's results of operations and financial position.

5. REVENUE

Revenue under continuing operations, represents gross income from offshore storage services, gross freight income from the provision of transportation services, the 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 and onshore storage services are included under the revenue of discontinued operations as set out in note 7. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

6. 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 storage and transportation); and (b) supply of oil products and provision of bunker refueling services. In 2010, the Group classified its shipbuilding operation as being discontinued for the reasons as detailed in note 7a.

The joint control of the Company over the TGIL Group was lost during the period ended 30 June 2012 and, as a result, the Group discontinued its onshore storage operation as set out in note 7b.

Management monitors the results of its 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.

The accounting policies of the operating segments are the same as the Group's accounting policies described in the Company's Annual Report for the year ended 31 December 2011.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. OPERATING SEGMENT INFORMATION (Continued)

The following table presents the unaudited segment information for the first six months of 2012 and 2011.

Six months ended 30 June 2012

	Provision of logistic services		Supply of oil products and provision of bunker refueling services	Continuing operations			Discontinued operations	Unallocated and eliminations	Consolidated
	Offshore storage HK$'000	Transportation HK$'000	HK$'000	Total HK$'000	Shipbuilding HK$'000	Onshore storage HK$'000	Total HK$'000	HK$'000	HK$'000
Segment revenue									
– Revenue from external customers	234,700	187,826	392,169	814,695	13,039	77,360	90,399	–	905,094
– Intersegment revenue	–	–	103,503	103,503	–	–	–	(103,503)*	–
Total	234,700	187,826	495,672	918,198	13,039	77,360	90,399	(103,503)	905,094
Segment results	(15,653)	(76,040)	(1,027)	(92,720)	(138,742)	(57,460)	(196,202)	–	(288,922)
Adjusted for:									
– Interest income	–	–	–	–	219	657	876	14,690	15,566
– Other revenue	–	–	–	–	–	–	–	269	269
– Other expenses	–	–	–	–	–	–	–	(48,416)	(48,416)
Share of profits of associates	–	–	–	–	–	8,538	8,538	–	8,538
	(15,653)	(76,040)	(1,027)	(92,720)	(138,523)	(48,265)	(186,788)	(33,457)	(312,965)
Add: Depreciation and amortisation	35,815	5,530	222	41,567	4,174	40,861	45,035	4,699	91,301
Operating EBITDA/(LBITDA)	20,162	(70,510)	(805)	(51,153)	(134,349)	(7,404)	(141,753)	(28,758)	(221,664)
Gain on deconsolidation of a jointly-controlled entity	–	–	–	–	–	189,524	189,524	–	189,524
Loss on early redemption									
– TGIL preferred shares	–	–	–	–	–	(1,013,937)	(1,013,937)	–	(1,013,937)
– TGIL Notes Due 2014	–	–	–	–	–	(152,985)	(152,985)	–	(152,985)
EBITDA/(LBITDA)	20,162	(70,510)	(805)	(51,153)	(134,349)	(984,802)	(1,119,151)	(28,758)	(1,199,062)
Depreciation and amortisation	(35,815)	(5,530)	(222)	(41,567)	(4,174)	(40,861)	(45,035)	(4,699)	(91,301)
Finance costs	–	–	–	–	(4,346)	(78,660)	(83,006)	(92,706)	(175,712)
Loss before tax	(15,653)	(76,040)	(1,027)	(92,720)	(142,869)	(1,104,323)	(1,247,192)	(126,163)	(1,466,075)

* Intersegment revenue is eliminated on consolidation

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2011

	Provision of logistic services			Continuing operations			Discontinued operations		
	Offshore storage HK$'000 (Restated)	Transportation HK$'000 (Restated)	Supply of oil products and provision of bunker refueling services HK$'000 (Restated)	Total HK$'000 (Restated)	Shipbuilding HK$'000 (Restated)	Onshore storage HK$'000 (Restated)	Total HK$'000 (Restated)	Unallocated and eliminations HK$'000 (Restated)	Consolidated HK$'000 (Restated)
Segment revenue									
– Revenue from external customers	257,946	190,671	362,564	811,181	42,317	112,454	154,771	–	965,952
– Intersegment revenue	–	–	133,572	133,572	–	–	–	(133,572)*	–
Total	257,946	190,671	496,136	944,753	42,317	112,454	154,771	(133,572)	965,952
Segment results	(15,665)	(92,301)	11,418	(96,548)	(10,587)	43,639	33,052	–	(63,496)
Adjusted for:									
– Interest income	–	–	–	–	33	521	554	5,427	5,981
– Other revenue	–	–	–	–	–	–	–	360	360
– Other expenses	–	–	–	–	–	–	–	(57,742)	(57,742)
Share of (losses)/profits of associates	–	–	(99)	(99)	–	19,886	19,886	–	19,787
	(15,665)	(92,301)	11,319	(96,647)	(10,554)	64,046	53,492	(51,955)	(95,110)
Add: Depreciation and amortisation	22,941	1,027	165	24,133	18,779	33,650	52,429	6,080	82,642
EBITDA/(LBITDA)	7,276	(91,274)	11,484	(72,514)	8,225	97,696	105,921	(45,875)	(12,468)
Depreciation and amortisation	(22,941)	(1,027)	(165)	(24,133)	(18,779)	(33,650)	(52,429)	(6,080)	(82,642)
Finance costs	–	–	–	–	(2,440)	(69,056)	(71,496)	(84,184)	(155,680)
(Loss)/profit before tax	(15,665)	(92,301)	11,319	(96,647)	(12,994)	(5,010)	(18,004)	(136,139)	(250,790)

* Intersegment revenue is eliminated on consolidation

7. DISCONTINUED OPERATIONS

a) Shipbuilding – Titan Quanzhou Shipyard Co., Ltd. ("Titan Quanzhou Shipyard")

On 11 December 2010, the Company entered into a sale and purchase agreement (the "GCL Sale and Purchase Agreement") with Grand China Logistics Holding (Group) Company Limited ("Grand China Logistics") in relation to the disposal of its 95% equity interest in Titan Quanzhou Shipyard at a consideration of RMB1,865,670,000 (equivalent to approximately HK$2,300,783,000) or a maximum reduced consideration of RMB1,465,670,000 (equivalent to approximately HK$1,807,495,000) if Titan Quanzhou Shipyard's profit targets for the two years ending 31 December 2012 were not met. Pursuant to a supplemental agreement signed in 2011, such net profit targets were cancelled and the consideration for the proposed disposal was fixed at RMB1,665,670,000 (equivalent to approximately HK$2,054,139,000).

While the requisite regulatory and shareholder's approvals for the first two stage payments totaling RMB800,000,000 were obtained, only RMB740,000,000 has been received to date and the equity interests in Titan Quanzhou Shipyard have not yet been transferred to Grand China Logistics.

On 30 May 2012, Grand China Logistics commenced legal proceedings against the Company, Titan TQSL Holding Company Ltd ("Titan TQSL") and Titan Petrochemicals (Fujian) Ltd ("Titan Fujian") to seek an order for, amongst other things the termination of the GCL Sale and Purchase Agreement and repayment of an aggregate amount of RMB740,000,000 (equivalent to approximately HK$912,584,000) referred to above, together with accrued interest.

Subsequent to 30 June 2012 and as publicly announced by the Company, Grand China Logistics assigned all of its interests' rights and obligations in respect of the sale and purchase of the 95% equity interest in Titan Quanzhou Shipyard to GZE and 上海市第一中級人民法院 (Shanghai No.1 Intermediate People's Court) (the "Shanghai Intermediate Court") ordered discontinuation of the proceedings. Further details are set out in note 30.

As at 30 June 2012 and 31 December 2011, the assets and liabilities related to the discontinued operation, in respect of the shipbuilding, have been presented in the consolidated statement of financial position as "Assets of a disposal group classified as held for sale" and "Liabilities directly associated with the assets classified as held for sale". The results for the periods ended 30 June 2012 and 2011 are included in the consolidated income statement as "Loss for the period from discontinued operations".

b) Onshore storage – TGIL Group

As disclosed in note 2 of this report, the joint control of the Company over the TGIL Group had been lost during the period ended 30 June 2012. The results, assets and liabilities and cash flows of the TGIL Group have, therefore, been deconsolidated from the consolidated financial statements of the Group during the period ended 30 June 2012. The results of the TGIL Group for the periods ended 30 June 2012 and 2011 are included in the consolidated income statement as "Loss for the period from discontinued operations" and details of the carrying amount of the deconsolidated assets and liabilities of the TGIL Group are disclosed in note 9.

7. DISCONTINUED OPERATIONS (Continued)

c) Financial information on Titan Quanzhou Shipyard and the TGIL Group

The combined results of Titan Quanzhou Shipyard and the TGIL Group for the period are presented below. The comparative loss and cash flows from the discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
			(Restated)
Revenue	5	**90,399**	154,771
Cost of sales		**(172,982)**	(87,229)
Gross (loss)/profit		**(82,583)**	67,542
Other revenue		**3,086**	2,086
General and administrative expenses		**(115,829)**	(36,022)
Finance costs	8	**(83,006)**	(71,496)
Share of profits of associates		**8,538**	19,886
Loss on early redemption			
– TGIL preferred shares		**(1,013,937)**	–
– TGIL Notes Due 2014		**(152,985)**	–
Gain on deconsolidation of a jointly-controlled entity	9a	**189,524**	–
Loss before tax		**(1,247,192)**	(18,004)
Income tax expense		**(212)**	(272)
Loss for the period from discontinued operations		**(1,247,404)**	(18,276)

7. DISCONTINUED OPERATIONS (Continued)

c) Financial information in respect of Titan Quanzhou Shipyard and TGIL Group (Continued)

The major classes of assets and liabilities of Titan Quanzhou Shipyard classified as held for sale as at 30 June 2012 and 31 December 2011 are as follows:

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Assets		
Property, plant and equipment	**3,252,555**	3,099,607
Prepaid land/seabed lease payments	**515,038**	516,477
Goodwill	**570,618**	570,618
Inventories	**129,146**	133,671
Accounts receivable	**–**	98,540
Prepayments, deposits and other receivables	**195,700**	142,362
Deposits for contracts in progress	**–**	203,876
Pledged deposits and restricted cash	**21,335**	7,466
Cash and cash equivalents	**221**	61,626
Assets of a disposal group classified as held for sale	**4,684,613**	4,834,243
Liabilities		
Interest-bearing bank loans	**2,372,125**	2,338,177
Accounts and bills payable	**162,713**	92,701
Other payables and accruals	**331,855**	300,519
Deferred tax liabilities	**112,180**	112,180
Liabilities directly associated with the assets classified as held for sale	**2,978,873**	2,843,577
Net assets directly associated with the disposal group	**1,705,740**	1,990,666

The combined net cash flows of Titan Quanzhou Shipyard and the TGIL Group are summarised as follows:

	Six months ended 30 June	
	2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000 (Restated)
Net cash inflow/(outflow) from:		
Operating activities	**70,214**	252,560
Investing activities	**(228,463)**	(531,003)
Financing activities	**37,227**	167,675
Net cash outflow	**(121,022)**	(110,768)

8. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
Interest on:		
Bank loans wholly repayable within five years	**101,133**	33,344
Bank loans not wholly repayable within five years	**78,078**	81,866
Fixed rate guaranteed senior notes ("Senior Notes Due 2012")	**16,192**	37,226
Guaranteed senior convertible notes ("Convertible Notes Due 2015")	**28,076**	16,980
Guaranteed senior payment-in-kind notes ("PIK Notes Due 2015")	**4,115**	3,761
Notes payable ("K-Line Notes Due 2013")	**3,108**	3,036
TGIL Notes Due 2014	**8,693**	8,473
Dividends on convertible preferred shares	**37,316**	38,388
Other finance costs	**–**	136
Total interest expenses	**276,711**	223,210
Less: Interest capitalised	**(100,999)**	(67,530)
	175,712	155,680
Attributable to continuing operations	**92,706**	84,184
Attributable to discontinued operations (note 7c)	**83,006**	71,496
	175,712	155,680

9. DECONSOLIDATION OF A JOINTLY-CONTROLLED ENTITY

a) Gain on deconsolidation of a jointly-controlled entity

	(Unaudited) HK$'000
Property, plant and equipment	2,751,286
Prepaid land lease payments	425,068
Goodwill	414,955
Interests in associates	313,553
Deposits for construction in progress	4,044
Inventories	1,968
Accounts receivable	28,802
Prepayments, deposits and other receivables	22,852
Amounts due from holding companies	171,454
Tax receivable	28
Pledged deposits and restricted cash	15,886
Cash and cash equivalents	35,386
Interest-bearing bank loans	(1,846,772)
Accounts payable	(657)
Amounts due to holding companies	(164,249)
Other payables and accruals	(288,978)
Liability portion of convertible preferred shares	(1,426,535)
Liability portion of convertible unsecured notes	(410,484)
Deferred tax liabilities	(37,714)
Net assets of the TGIL Group attributable to the Group	9,893
Release of exchange fluctuation reserve	234,524
Gain on redemption of convertible unsecured notes held by the Group	119,074
Impairment on amounts due from a deconsolidated jointly-controlled entity	(154,181)
Net assets of the TGIL Group attributable to the Group	(9,893)
Gain on deconsolidation of a jointly-controlled entity	189,524

b) Net cash outflow arising on deconsolidation of a jointly-controlled entity

Cash and cash equivalents of a deconsolidated jointly-controlled entity	(35,386)

10. LOSS BEFORE TAX

The Group's loss before tax is arrived at 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 operations.

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**473,613**	459,294
Cost of services rendered	**603,455**	530,080
Depreciation and amortisation	**91,301**	82,642
Interest income	**(15,556)**	(5,981)

11. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
Current:		
Charges for the period	**3,544**	273
(Over)/underprovision in prior periods	**(1,841)**	219
Total tax expense for the period, continuing operations	**1,703**	492

The share of tax attributable to associates amounting to HK$5,000 (period ended 30 June 2011: HK$540,000) is included in "Loss for the period from discontinued operations" 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.

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

	2012	2011
Hong Kong	**16.5%**	16.5%
Singapore	**17.0%**	17.0%
Mainland China	**25.0%**	25.0%

11. INCOME TAX EXPENSE (Continued)

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 periods ended 30 June 2012 and 2011.

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 in Singapore has been made as the Group did not generate any assessable profits from charter and freight income for the periods ended 30 June 2012 and 2011.

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 (the "Mainland China" or the "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 set out details of how existing preferential income tax rates were to be adjusted to the standard rate of 25%. According to the Implementation Guidance, certain subsidiaries of the Group in the Mainland China which have not fully utilised their five-year tax holidays will be allowed to continue to enjoy full entitlement to reductions in income tax rates until expiry of the tax holidays, after which, the 25% standard rate will apply.

12. DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend for the period ended 30 June 2012 (period ended 30 June 2011: Nil).

13. BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

From continuing and discontinued operations

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period attributable to owners of the Company	**1,467,990**	251,554

	2012	2011
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**7,820,554,682**	7,792,672,100

13. BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (Continued)

From continuing and discontinued operations (Continued)

The diluted loss per share for each of the periods ended 30 June 2012 and 2011 was the same as the basic loss per share.

No adjustments have been made to the basic loss per share amounts presented for the periods ended 30 June 2012 and 2011 as the share options, the Convertible Notes Due 2015, warrants and convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

From continuing operations

The calculation of basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the denominators as detailed above and the following data:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period from continuing operations	**(220,586)**	(233,278)

From discontinued operations

Basic and diluted loss per share for discontinued operations is HK15.95 cents per share (2011: HK0.24 cents per share), based on the loss for the period from discontinued operations attributable to owners of the Company of approximately HK$1,247,404,000 (2011: HK$18,276,000) and the denominators as detailed above for both basic and diluted loss per share.

No adjustment had been made to the basic loss per share for discontinued operations for the periods ended 30 June 2012 and 2011 as the share options, the Convertible Notes Due 2015, warrants and convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group, including those classified as held for sale, acquired property, plant and equipment at a cost of approximately HK$232,840,000 (period ended 30 June 2011: HK$575,457,000).

During the six months ended 30 June 2012, the Group, including those classified as held for sale, disposed property, plant and equipment with the aggregate carrying amount of approximately HK$17,534,000 (period ended 30 June 2011: HK$20,965,000).

15. GOODWILL

	HK$'000
30 June 2012	**(Unaudited)**
At 1 January 2012, net of accumulated impairments	**434,571**
Deemed disposals of partial interests in a jointly-controlled entity	**(3,048)**
Deconsolidation of a jointly-controlled entity	**(414,955)**
At 30 June 2012	**16,568**
At 30 June 2012:	
Cost	**35,526**
Accumulated impairments	**(18,958)**
Net carrying amount	**16,568**
31 December 2011	(Audited)
At 1 January 2011, net of accumulated impairments	470,371
Deemed disposals of partial interests in a jointly-controlled entity	(35,800)
At 31 December 2011	434,571
At 31 December 2011:	
Cost	453,529
Accumulated impairments	(18,958)
Net carrying amount	434,571

16. ACCOUNTS RECEIVABLE

The Group normally allows credit terms to well-established customers ranging from 30 to 90 days. Efforts are made to maintain strict control over outstanding receivables and overdue balances are reviewed regularly by senior management. Accounts receivable are non-interest-bearing.

An aged analysis of accounts receivable 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 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
1 to 3 months	**66,880**	57,019
4 to 6 months	**10,924**	19,211
7 to 12 months	**12,134**	5,058
Over 12 months	**2,165**	2,213
	92,103	83,501

17. INTEREST-BEARING BANK LOANS

As at 30 June 2012, the Group, including those classified as held for sale, was in default on repayment of certain secured bank borrowings with overdue portion in principal amount of HK$246,644,000 (31 December 2011: HK$137,407,000). Accordingly, the portion of those bank borrowings of HK$Nil (31 December 2011: HK$391,520,000) that are repayable after one year have been classified as current liabilities given the banks' entitlement to demand repayment of the outstanding balances at any time at their discretion.

18. 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 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
1 to 3 months	**160,852**	176,942
4 to 6 months	**148,093**	109,681
7 to 12 months	**73,146**	101,767
Over 12 months	**120,151**	81,449
	502,242	469,839

19. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals is an amount of RMB740,000,000 (equivalent to approximately HK$912,584,000) (31 December 2011: RMB740,000,000 (equivalent to approximately HK$916,050,000)) in respect of the partial receipt of the disposal consideration for Titan Quanzhou Shipyard as further detailed in note 30.

20. FIXED RATE GUARANTEED SENIOR NOTES (THE "SENIOR NOTES DUE 2012")

The Company issued the Senior Notes Due 2012 in the aggregate principal amount of US$400,000,000 (equivalent to approximately HK$3,120,000,000) 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 in respect of the Senior Notes Due 2012 as at 30 June 2012 and 31 December 2011 was US$105,870,000 (equivalent to approximately HK$825,786,000).

On 19 March 2012 and as of the date of this report, the Company was unable to repay the overdue principal and interest on the Senior Notes Due 2012 in the amount of US$105,870,000 (equivalent to approximately HK$825,786,000) and US$4,499,000 (equivalent to approximately HK$35,092,000), respectively.

As a result of the above, cross default was triggered in respect of a bilateral loan with a financial institution in an outstanding principal amount of US$750,000 (equivalent to approximately HK$5,850,000). An early redemption event was also triggered in respect of the Company's convertible preferred shares (the "Titan preferred shares") and the TGIL preferred shares and resulted to TGIL warrants issued to SSL becoming exercisable.

21. GUARANTEED SENIOR CONVERTIBLE NOTES (THE "CONVERTIBLE NOTES DUE 2015")

The Company issued US$78,728,000 (equivalent to approximately HK$614,078,000) aggregate principal amount of the Convertible Notes Due 2015 on 28 July 2010 (27 July 2010, New York City Time) in exchange for tendered the Senior Notes Due 2012. The Convertible Notes Due 2015 are due on 13 July 2015 with a single repayment at 151.621% of their principal amount, unless earlier redeemed, repurchased or purchased by the Company or converted. The Convertible Notes Due 2015 bear no interest, and were listed on the Singapore Exchange Securities Trading Limited. Holders of the Convertible Notes Due 2015 are entitled to convert their Convertible Notes Due 2015 with 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 the Convertible Notes Due 2015, subject to adjustments.

As set out in note 30, on 6 September 2012, the winding-up petition at the Bermuda court remained undismissed or unstayed for a period of 60 consecutive days, which, in turn, constituted an event of default under the Convertible Notes Due 2015.

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

The Company issued US$14,193,000 (equivalent to approximately HK$110,705,000) aggregate principal amount of the PIK Notes Due 2015 on 28 July 2010 (27 July 2010, New York City Time) in exchange for tendered the Senior Notes Due 2012. The PIK Notes Due 2015 are due on 13 July 2015 with a single repayment of the principal, unless earlier repurchase pursuant to the terms of the PIK Notes Due 2015 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.

As set out in note 30, on 6 September 2012, the winding-up petition at the Bermuda Court remained undismissed or unstayed for a period of 60 consecutive days which, in turn, constituted an event of default under the terms of the PIK Notes Due 2015.

23. 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 TGIL, a jointly-controlled entity, issued HK$780,000,000 (US$100,000,000) TGIL preferred shares. The fair values of the liability portion of the Titan preferred shares and the TGIL preferred shares were estimated at the issuance date. The residual amount of the Titan preferred shares and the TGIL preferred shares were assigned as the equity portion and included in shareholders' equity of the Company and contingently redeemable equity in a jointly-controlled entity, respectively.

On 2 May 2012, SSL exercised its subscription rights under the TGIL warrants, pursuant to which SSL held 50.1% of the aggregate number of the TGIL ordinary shares and preferred shares immediately after the exercise of the TGIL warrants.

On 18 June 2012, the Company received a notice from SSL to exercise its redemption rights under the terms of the TGIL preferred shares. This resulted to a loss on early redemption and equity portion of the TGIL preferred shares were transferred to the accumulated losses.

On 4 July 2012, the Company received from SPHL a notice to redeem all of the Company's outstanding 555,000,000 preferred shares held by it at a redemption amount equal to the notional value of the Company's preferred shares (being HK$310,800,000) together with any accrued and unpaid dividends.

During the period ended 30 June 2012, the TGIL preferred shares were derecognised upon the deconsolidation of a jointly-controlled entity as set out in note 2 of this report.

24. CONVERTIBLE UNSECURED NOTES (THE "TGIL NOTES DUE 2014")

On 14 July 2009, the Company, Titan Oil Storage Investment Limited ("TOSIL"), Warburg Pincus and TGIL entered into an agreement by which TOSIL and Warburg Pincus became entitled to provide, pro rata to their shareholdings in TGIL, funding of up to HK$312.6 million (equivalent to approximately US$40.1 million) to through the subscription of the TGIL Notes Due 2014.

On the same day, 14 July 2009, Warburg Pincus exercised its option to subscribe for the TGIL Notes Due 2014 in the principal amount of HK$156 million (US$20 million). The residual amount of the TGIL Notes Due 2014 was assigned as the equity portion and was included in the consolidated reserves of the Group.

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

On 18 June 2012, the Company received from SSL a notice to exercise its redemption right under the terms of the TGIL Notes Due 2014.

During the period ended 30 June 2012, the TGIL Notes Due 2014 were derecognised upon the deconsolidation of a jointly-controlled entity as set out in note 2 of this report.

25. SHARE CAPITAL

Shares

	30 June 2012 (Unaudited)		31 December 2011 (Audited)	
	Number of shares	**Nominal value of shares HK$'000**	Number of shares	Nominal value of shares HK$'000
Authorised:				
Ordinary shares of HK$0.01 each at 30 June 2012/31 December 2011 (note (a))	**14,445,000,000**	**144,450**	14,445,000,000	144,450
Convertible preferred shares of HK$0.01 each at 30 June 2012/31 December 2011	**555,000,000**	**5,550**	555,000,000	5,550
Issued and fully paid:				
Ordinary shares of HK$0.01 each at 1 January	**7,820,554,682**	**78,206**	7,766,732,918	77,667
Issue of shares upon exercise of share options	**–**	**–**	10,260,000	103
Conversion of Convertible Notes Due 2015 (Note (b))	**–**	**–**	43,561,764	436
Ordinary shares of HK$0.01 each at 30 June 2012/31 December 2011	**7,820,554,682**	**78,206**	7,820,554,682	78,206
Convertible preferred shares of HK$0.01 each at 1 January and 30 June 2012/31 December 2011	**555,000,000**	**5,550**	555,000,000	5,550

Notes:

(a) Pursuant to an ordinary resolution passed on 16 April 2010, the authorised share capital of the Company was increased from HK$100,000,000 divided into 9,445,000,000 ordinary shares of HK$0.01 each and 555,000,000 convertible preferred shares of HK$0.01 each to HK$150,000,000 divided into 14,445,000,000 ordinary shares of HK$0.01 each and 555,000,000 convertible preferred shares of HK$0.01 each by the creation of an additional 5,000,000,000 ordinary shares of HK$0.01 each, ranking pari passu in all respects with the existing ordinary shares of the Company.

(b) During the six months ended 30 June 2012, none of the Convertible Notes Due 2015 were converted into ordinary shares. In 2011, Convertible Notes Due 2015 with an aggregate principal amount of US$3,991,000 (equivalent to approximately HK$31,130,000) were converted into 43,561,764 ordinary shares of HK$0.01 each in the Company at the conversion price of approximately US$0.0916 (equivalent to approximately HK$0.7145) per share.

(c) All new ordinary shares rank pari passu in all respects with other ordinary shares in issue.

26. (DEFICITS)/RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	PRC statutory reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012 (Audited)	**2,473,241**	**18,261**	**38,778**	**559**	**57,399**	**431,254**	**(2,628,764)**	**390,728**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(1,487)**	**–**	**(1,487)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(1,467,990)**	**(1,467,990)**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**(1,487)**	**(1,467,990)**	**(1,469,477)**
Equity-settled share option arrangements	**–**	**–**	**(313)**	**–**	**–**	**–**	**–**	**(313)**
Realised on deemed disposals of partial interest in a jointly-controlled entity*	**–**	**–**	**–**	**–**	**–**	**(4)**	**–**	**(4)**
Transfer to accumulated losses upon lapse of share options after vesting period	**–**	**–**	**(3,768)**	**–**	**–**	**–**	**3,768**	**–**
Transfer to PRC statutory reserve	**–**	**–**	**–**	**175**	**–**	**–**	**(175)**	**–**
Released upon deconsolidation of a jointly-controlled entity	**–**	**–**	**–**	**(559)**	**(57,399)**	**(234,524)**	**615,968**	**323,486**
At 30 June 2012 (Unaudited)	**2,473,241**	**18,261**	**34,697**	**175**	**–**	**195,239**	**(3,477,193)**	**(755,580)**
At 1 January 2011 (Audited)	2,437,224	18,261	38,194	559	57,399	274,126	(1,845,701)	980,062
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)
Equity-settled share option arrangements	–	–	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	559	57,399	329,917	(2,097,182)	806,996

* During the year, SSL exercised its subscription rights under the warrant issued by TGIL. TGIL alloted and issued 3,507 new ordinary shares to SSL and resulted in a dilution of 0.67% to the Group's equity interest in jointly-controlled entities.

26. (DEFICITS)/RESERVES (Continued)

Share premium

The application of share premium is governed by Section 40 of the Companies Act 1981 of Bermuda. The share premium account may be distributed in the form of fully paid bonus shares.

Contributed surplus

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

Share option reserve

The share option reserve comprises the fair value of the share options granted which are yet to be exercised. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or lapse.

PRC statutory reserve

PRC statutory reserve represents the application of 10% of profit after taxation, calculation in accordance with the accounting standards and regulations applicable to subsidiaries of the Company established in the PRC. When the balance of such statutory surplus reserve reaches 50% of the entity's share capital, any further appropriation is optional.

Asset revaluation reserve

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

Exchange fluctuation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (HK$) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Such exchange differences accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operations.

27. COMMITMENTS

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Commitments for construction of oil berthing and storage facilities of jointly-controlled entities in Mainland China	–	14,084
Commitments for shipbuilding and ship repair facilities in Mainland China*	**811,297**	867,397
	811,297	881,481

* At 30 June 2012 and 31 December 2011, such commitments were associated with the disposal group classified as held for sale.

28. OPERATING LEASE ARRANGEMENTS

(a) As lessor

At 31 December 2011, the Group leased vessels and certain leasehold land and buildings under operating lease arrangements, negotiated for one year and four years, respectively.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Vessels		
Within one year	–	9,929
Leasehold land and buildings		
Within one year	–	3,908
In the second to fifth years, inclusive	–	4,885
	–	8,793
	–	18,722

28. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

The Group leases vessels and certain office premises under operating lease arrangements. Leases for vessels are negotiated for terms ranging from two to five years (2011: one to five years) and leases for office premises are negotiated for terms ranging from one to three years (2011: one to twenty years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Vessels		
Within one year	**145,823**	365,348
From second to fifth years, inclusive	**223,285**	437,544
	369,108	802,892
Office premises		
Within one year	**6,000**	11,704
From second to fifth years, inclusive	**1,015**	17,933
Beyond five years	**–**	61,605
	7,015	91,242
	376,123	894,134

29. GUARANTEES

As at 30 June 2012, guarantees in the aggregated amounts of HK$293,716,000 (31 December 2011: HK$271,270,000) were given by the Company to (i) a bank for a loan to a subsidiary of the Group, (ii) shipowners for the charter hire expenses to a subsidiary of the Group and (iii) the K-Line Notes Due 2013.

At the end of the reporting period, an amount of HK$37,448,000 (31 December 2011 (restated): HK$50,404,000) has been recognised in the Company's statement of financial position.

As at 30 June 2012 guarantees in the aggregate amount of RMB55,000,000 (equivalent to approximately HK$67,827,000) had been provided to a deconsolidated jointly-controlled entity by the Group for a loan. On 30 June 2012, HK$2,298,000 (31 December 2011: HK$Nil) of the guaranteed facilities for a deconsolidated jointly-controlled entity had been utilised and recognised as liabilities in the consolidated statement of financial position.

Other than those as disclosed above, the Group and the Company had no other material guarantees outstanding as at 30 June 2012 and 31 December 2011.

30. CONTINGENT LIABILITIES

a) Arbitrations

Arbitrations between KTL Mayfair Inc. ("Mayfair") and the Company and the Arbitrations between Mayfair and Titan Storage Limited ("TSL")

Mayfair served notices of appointment of arbitrator on both TSL and the Company on 16 July 2013.

The claims relate to disputes between the Company/TSL and Mayfair in relation to the alleged breaches by TSL of a bareboat charter party contract executed in 2010 (the "Charterparty"), including but not limited to the Company/TSL's failure to pay hire and contractual interest on hire; and the alleged failure to insure the Mayfair vessel. The total amount of Mayfair's claim is US$23,021,040.61 and SG$5,296,30. TSL and the Company have also counterclaimed against Mayfair for US$20,755,188.89.

The proceedings between the Company and Mayfair are currently at the stage of exchanging further submissions.

Arbitration between the Company and Edinburgh Navigation SA ("Edinburgh"); Arbitration between the Company and Camden; Arbitration between Edinburgh and TSL and Arbitration between Camden and TSL

The Company served notices of arbitration on Edinburgh and Camden on 20 July 2013. Edinburgh and Camden subsequently served notices of appointment of an arbitrator on TSL on 26 November 2013.

The parties involved in the aforesaid arbitrations are (i) the Company, TSL and Edinburgh and (ii) the Company, TSL and Camden. The claims related to disputes arising out of the charterparty agreements (the "Charterparty Agreements") executed in 2010 entered into between TSL and Edinburgh/Camden in relation to the vessels MT Titan Aries/MT Titan Venus (the "Vessels"). In 2012, Frontline Management SA ("Frontline") as agents of the Vessels demanded the Vessels to be re-delivered sooner. TSL agreed to such redelivery relying on Frontline's representation that Frontline would arrange a suitable time charter arrangement such that TSL's oil storage business would not be affected (the "New Arrangement"). However, Frontline, later refused to carry on with the New Arrangement. The Company is now claiming that the conduct of Edinburgh/Camden has resulted in TSL not being able to perform its oil storage business and suffered loss as a result. The total amount of claim against each of Edinburgh and Camden is US$20,755,188.89. Edinburgh and Camden have also counterclaimed against the Company and TSL for US$7,449,911.02 and US$6,425,312.50 respectively.

The parties are currently at the stage of exchanging submissions.

30. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings

On 4 July 2012, the Company received from SPHL a notice to redeem all of the outstanding 555,000,000 Titan preferred shares held by it at a redemption amount equal to the notional value of the Titan preferred shares (being HK$310.8 million) together with any accrued and unpaid dividends. Redemption monies were payable 30 business days after the date of the redemption notice.

On 9 July 2012 (Bermuda time), SPHL served on the Company the SPHL Petition at the Bermuda Court for an order, amongst other things, to wind up and to appoint a provisional liquidator against the Company. Further details in respect of the above are included in the Company's announcement dated 12 July 2012.

The Company made an application to the Bermuda Court to strike out the SPHL Petition on the grounds that SPHL is not a creditor or contributory of the Company and/or has no interest in such a winding up of the Company and/or the proceedings are an abuse of process. The strike out application was heard in the Bermuda Court on 1 May 2013 (Bermuda time).

On 10 May 2013 (Bermuda time), the Bermuda Court handed down its ruling in relation to the Company's application to strike out the SPHL Petition and found that it would exercise its discretion to strike out the SPHL Petition (the "10 May Decision"). The Bermuda Court further ordered that the actual striking out of the SPHL Petition be adjourned to 23 July 2013 in order to facilitate the hearing of an application by Camden to be substituted as the petitioner (the "Camden Substitution Application").

Camden claimed that TSL, a subsidiary of the Company, failed to pay certain hiring charges to Camden pursuant to a bareboat charter party contract and that the Company was liable to Camden for such hiring charges plus interest thereon in the sum of approximately USD6,853,032 (up to 16 April 2013) pursuant to a deed of guarantee issued by the Company in favour of Camden.

Further details in respect of the above are included in the Company's announcement dated 13 May 2013.

Subsequently, SPHL made an application to the Bermuda Court for leave to appeal the 10 May Decision (the "SPHL Leave Application"), further details in respect of which are included in the Company's announcement dated 25 July 2013.

On 19 July 2013 (Bermuda time), the Company made an application to the Bermuda Court seeking to (a) stay the Petition pending arbitration between the Company and Camden or (b) strike out the Petition on the basis that it was an abuse of process (the "Titan Stay Application").

30. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

The Camden Substitution Application, the SPHL Leave Application and the Titan Stay Application were all heard by the Bermuda Court on 23 July 2013 (Bermuda time). At the hearing, the Bermuda Court made the following orders:

(i) the Petition by SPHL was struck out, and the Company was awarded the costs of the petition against SPHL from the date upon which its skeleton argument for the Striking Out Application was filed;

(ii) SPHL was granted leave to appeal the 10 May Decision;

(iii) the Titan Stay Application was dismissed;

(iv) Camden was allowed to be substituted as the petitioner in place of SPHL and granted leave to amend the Camden Petition. Camden was also awarded its costs against the Company of the Camden Substitution Application; and

(v) the hearing of the Camden Petition was adjourned to 16 August 2013.

Further details in respect of the above are included in the Company's announcement dated 25 July 2013.

On 29 July 2013 (Bermuda time), Camden made an application to the Bermuda Court by way of an ex parte summons (on notice) seeking an interim injunction (the "Interim Injunction") restraining the Company from, among others, taking any action or consenting to any action to be taken by any subsidiary to transfer any rights, titles or interests in relation to certain assets and agreements of the Company, without the approval of the Bermuda Court or 7 days' written notice to Camden.

Camden also made an application for the appointment of provisional liquidators in the Company on 6 August 2013 (Bermuda time) (the "PLs Application").

The Company made an application with the Bermuda Court on 6 August 2013 (Bermuda time) for leave to appeal the judgment of the Bermuda Court dated 23 July 2013 in relation to the substitution of Camden as the petitioner in place of SPHL on the grounds of a dispute as to Camden's claim (the "Leave to Appeal Application").

30. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

The Camden Petition, the application for the Interim Injunction, the PLs Application and the Leave to Appeal Application were all heard by the Bermuda Court on 16 August 2013 (Bermuda time) and no order was made for the appointment of provisional liquidators or to wind up the Company at that hearing. The following orders were made by the Bermuda Court:

i) until the first hearing in the matter following the hearing of 16 August 2013, an injunction was granted restraining the Company, whether alone or in concert with others, acting through its directors, officers, employees, servants, agents or otherwise, from (i) disposing of any property, including things in action, belonging to the Company, save the payment of salaries, rent, utilities, professional fees or other similar payments in the ordinary course of its business; or (ii) consenting to or approving the disposal of property, including things in action, belonging to any subsidiary (as defined in section 86 of the Companies Act 1981) of the Company, without the approval of the Bermuda Court or without 7 days' written notice of the same to Camden (the "Interim Injunction Order"); and

ii) the Company shall pay Camden's costs of the application for the Interim Injunction.

Further details in respect of the above are included in the Company's announcement dated 20 August 2013.

On 30 August 2013 (Bermuda time), the Bermuda Court ordered that the Company and Camden agree on setting up an informal committee of creditors (the "Informal Committee") to facilitate information exchanges between the Company and its creditors, failing which the Bermuda Court would make an order in this regard. No agreement was reached between the Company and Camden and, hence, the Bermuda Court made an order on 10 September 2013 for the set of the Informal Committee.

On 18 October 2013 (Bermuda time), the Bermuda Court ordered the appointment of Mr. Garth Calow and Ms. Alison Tomb, both of PricewaterhouseCoopers, as the JPLs of the Company with the following powers (among others):

i) to review the financial position of the Company and, in particular, to assess the feasibility of any restructuring proposals of the Company;

ii) to monitor the continuation of the business of the Company by the existing Board;

iii) to monitor, consult with and otherwise liaise with the existing Board and the creditors and shareholders of the Company in determining whether the Company is able to effect a restructuring of the Company;

iv) to receive advance materials, receive advance notice of, and, at the expense of the Company, attend all Board meetings and such meetings of management as the JPL's request; and

30. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

v) to see, review and copy books, papers, writings, documents and records in the possession or control of the Company situate in Bermuda or in any other jurisdictions, solely insofar as reasonably necessary to permit the JPLs to exercise and discharge their powers and functions.

Further details in respect of the above are included in the Company's announcement dated 22 October 2013.

The Company made an application for a stay, and filed a motion for leave to appeal, in respect of the order of the Bermuda Court appointing JPLs, both of which were rejected by the Bermuda Court at a hearing on 5 November 2013. Further applications for stay and leave to appeal were made by the Company.

On 12 December 2013 (Bermuda time), the Company made an application to the Bermuda Court for the discharge of the JPLs appointed to the Company on 18 October 2013 (the "Discharge Application").

The Camden Petition and the Discharge Application were heard by the Bermuda Court on 13 December 2013 (Bermuda time) and the following orders were made by the Bermuda Court:

i) the Camden Petition and the Discharge Application be adjourned to 31 January 2014 (Bermuda time);

ii) costs of the hearing be awarded to the JPLs to be paid out of the assets of the Company on an indemnity basis; and

iii) the costs of hearing of Camden as the petitioner be reserved.

For the purposes of being able to properly advise the Bermuda Court on the feasibility of the restructuring proposals, the Bermuda Court has required the Company to consult and agree an extension of the powers for the JPLs (the "Extension of the JPL's Powers") and report back to the Bermuda Court accordingly, further details in respect of which are included in the Company's announcement dated 18 December 2013.

A further hearing before the Bermuda Court took place on 31 January 2014 (Bermuda time) and the following orders were made by the Bermuda Court:

i) the Camden Petition was further adjourned to 14 February 2014 (Bermuda time); and

ii) any matters with respect to the Extension of the JPL's Powers that remain outstanding would also be dealt with at the adjourned hearing on 14 February 2014 (Bermuda time).

Further details in respect of the above are included in the Company's announcement dated 5 February 2014.

30. CONTINGENT LIABILITIES (Continued)

c) BVI Proceedings

On 18 June 2012, the Company received from SSL two notices to exercise its redemption rights under the TGIL preferred shares and the TGIL Notes Due 2014, and SSL applied for an order to appoint joint and several provisional liquidators for, and to liquidate TGIL.

On 17 July 2012 (BVI time), the BVI Court ordered (the "Order") the liquidation of TGIL and that Russell Crumpler of KPMG (BVI) Limited together with, Edward Middleton and Patrick Cowley of KPMG be appointed as joint and several liquidators of TGIL with standard powers under the BVI Insolvency Act 2003. The fourth liquidator, Stuart Mackellar of Zolfo Cooper (BVI) Limited, was appointed with limited powers.

On 18 July 2012 (BVI time), TOSIL, a wholly-owned subsidiary of the Company and a shareholder of TGIL, filed a notice of appeal at the Court of Appeal of the Eastern Caribbean Supreme Court (the "BVI Court of Appeal") against the Order and applied for a stay of execution thereof pending the determination of the appeal. The stay application was subsequently withdrawn. Further details in respect of the above are included in the Company's announcement dated 20 July 2012.

The BVI Court of Appeal was stayed until 20 March 2013 (BVI time) by the consent of TOSIL as appellant and SSL and TGIL as respondents.

The Company, TGIL, TOSIL and SSL have been in negotiations on the BVI proceedings, however, up to the date of this report, there is no assurance that a settlement on the BVI proceedings will be reached by the Company.

d) Hong Kong Proceedings

On 19 July 2012, the Company received from SSL a writ of summons (the "Writ") issued in the Court of First Instance in the High Court of the Hong Kong Special Administrative Region (the "Hong Kong Court") with an indorsement of claim against the Company and other parties including its wholly-owned subsidiary, TOSIL, and two directors of the Company. SSL alleged in the Writ among other things (a) breach of the amended and restated investor rights agreement (the "IRA") in respect of TGIL dated 17 July 2009; and (b) misrepresentations regarding the financial position of TGIL, and its subsidiaries. SSL seeks, amongst other remedies, specific performance of the IRA, injunctive relief, declaratory relief, an indemnity, damages, interest and costs. Further details in respect of the above are included in the Company's announcement dated 20 July 2012.

On 14 September 2012, the Company received a statement of claim filed by SSL in connection with the Writ, further details in respect of which are included in the Company's announcement dated 19 September 2012.

On 10 November 2012, the Hong Kong Court, amongst other things, stayed the proceedings for a period of 90 days which was then subsequently extended until 15 March 2013.

30. CONTINGENT LIABILITIES (Continued)

d) Hong Kong Proceedings (Continued)

On 15 November 2013, SSL was ordered by the Hong Kong Court to provide security in various sums for the Defendants' costs of the proceedings. SSL has yet to comply with this order and the proceedings are presently stayed. The Hong Kong proceedings will continue in accordance with the rules of the Hong Kong Court or as otherwise ordered by it.

The Company and TOSIL have been in negotiations with SSL with a view to reaching a settlement with SSL relating to the Writ. Up to the date of this report, there is no assurance that a settlement on the Writ will be reached by the Company, TOSIL and SSL.

e) PRC Proceedings

On 11 December 2010, the Company entered into (i) the GCL Sale and Purchase Agreement with Titan TQSL, Titan Fujian and Grand China Logistics in relation to the disposal of its 95% equity interest in Titan Quanzhou Shipyard; (ii) a subscription agreement in relation to the issue of subscription shares to Grand China Logistics; and (iii) a management agreement in relation to the engagement of the Company to manage the business operations of Titan Quanzhou Shipyard for the term commencing from the completion of the GCL Sale and Purchase Agreement until 31 December 2012. The consideration for the proposed disposal is RMB1,865,670,000 or a maximum reduced consideration was RMB1,465,670,000 if Titan Quanzhou Shipyard's profit targets for the two years ending 31 December 2012 were not met. Pursuant to a supplemental agreement signed in 2011, such net profit targets were cancelled and the consideration for the proposed disposal was fixed at RMB1,665,670,000 (equivalent to approximately HK$2,054,139,000).

While the requisite regulatory and shareholder's approvals for the first two stage payments totaling RMB800,000,000 were obtained, to date, only RMB740,000,000 has been received and the equity interests of Titan Quanzhou Shipyard have not been transferred to Grand China Logistics. Further details in respect of the above are included in the Company's announcement dated 18 March 2012.

On 30 May 2012, Titan Fujian received a summons issued by the Shanghai Intermediate Court with Grand China Logistics as plaintiff and the Company and two wholly-owned subsidiaries of the Company, Titan TQSL and Titan Fujian, as defendants, that sought an order for, amongst other things, the termination of the GCL Sale and Purchase Agreement and repayment to Grand China Logistics of an aggregate of RMB740,000,000 together with accrued interest or for the Company to fulfil its obligations under its guarantee to repay such amount. It has also come to the notice of the Company that a restriction may have been imposed on any transfer of the Group's equity interest in Titan Quanzhou Shipyard. As the Company was set up out of the PRC jurisdictions, the Company failed to provide the requested notarized litigation documents to the PRC Court, therefore, the Group has not yet directly received any court order or notice issued under the provisions of applicable law. Further details in respect of the above are included in the Company's announcement dated 12 July 2012.

On 18 June 2012, the Company, Titan TQSL and Titan Fujian filed an objection to the jurisdiction of the Shanghai Intermediate Court and requested that the matter be transferred to the 上海市高級人民法院 (Shanghai Higher People's Court). Further details in respect of the above are included in the Company's announcement dated 12 July 2012.

30. CONTINGENT LIABILITIES (Continued)

e) PRC Proceedings (Continued)

Titan Fujian as plaintiff on 23 August 2012 filed with the Shanghai Intermediate Court a statement of counter-claims against Grand China Logistics as defendant to seek, amongst other remedies, specific performance on the GCL Sale and Purchase Agreement and the supplemental agreements for Grand China Logistics to fulfil its payment obligations thereunder and related damages and costs. The Company and Titan TQSL were to join in the action after they had completed the notarization of documents as required by the PRC courts for offshore incorporated plaintiffs. Further details in respect of the above are included in the Company's announcement dated 29 August 2012.

On 5 December 2012, the Company received a notice of objection from the Shanghai Higher People's Court that the application of objection to the jurisdiction dated 28 November 2012 was dismissed, the Company had a 30 day period from 28 November 2012 to file an appeal against the ruling on jurisdiction. Further details in respect of the above are included in the Company's announcement dated 17 December 2012.

The Company and Titan TQSL filed an appeal dated 29 December 2012 to the Shanghai Higher People's Court against the ruling of the Shanghai Intermediate Court that upheld the lower court's jurisdiction to hear the action, further details in respect of which are included in the Company's announcement dated 29 January 2013.

On 15 March 2013, the Shanghai Higher People's Court made a final order on the issue of jurisdiction that upheld the order of jurisdiction made by the Shanghai Intermediate People's Court.

On 10 June 2013, the Company received a notification from Grand China Logistics dated 7 June 2013 informing the Company that it had entered into an assignment in respect of the GCL Sale and Purchase of the 95% equity interest in Titan Quanzhou Shipyard with GZE pursuant to which it would transfer to GZE all of its interests, rights and obligations in respect of the GCL Sale and Purchase Agreement and the subsequent supplemental agreements dated 24 July 2011 in relation to the Disposal (the "Assignment") and, on the basis that none of the terms of the GCL Sale and Purchase Agreement (or any of its supplemental agreements) would be changed as a result of the Assignment, the Company did not object to the Assignment on 19 June 2013. Based on PRC legal advice, the Company understood that the Assignment was subject to the approval of Fujian Department of Foreign Trade and Economic Cooperation Bureau, being the approval authority which originally approved the GCL Sale and Purchase Agreement (the "Original Approval Authority"). Further details in respect of the above are included in the Company's announcements dated 10 June 2013 and 17 July 2013.

30. CONTINGENT LIABILITIES (Continued)

e) PRC Proceedings (Continued)

On 16 July 2013, the Company, Titan TQSL, Titan Fujian and GZE (together, the "Parties") entered into an agreement confirming the following matters:

i) GZE would have the right to continue to perform the GCL Sale and Purchase Agreement (as amended by the subsequent supplemental agreements) and to exercise its rights thereunder and the Parties will cooperate to complete all outstanding approvals required from the Original Approval Authority and any other body in connection with the GCL Sale and Purchase Agreement and the Assignment; and

ii) the Company would endeavour to negotiate with Grand China Logistics with a view to (a) reaching a settlement with Grand China Logistics on the proceedings; (b) resolving all outstanding issues with the GCL Sale and Purchase Agreement; and (c) entering into a legally binding settlement agreement with Grand China Logistics and obtaining all relevant approvals required in connection with the foregoing matters on or before 31 August 2013.

Further details in respect of the above are included in the Company's announcement dated 17 July 2013.

The Company and Titan Fujian and Titan TQSL had been in negotiations with Grand China Logistics with a view to reaching a settlement with Grand China Logistics on the litigation matters commenced in the PRC relating to the Group's proposed disposal of its 95% equity interest in Titan Quanzhou Shipyard (the "PRC proceedings"). The parties had agreed to stay the PRC Proceedings pending the results of their negotiations on the settlement. Further details in respect of the above are included in the Company's announcement dated 14 August 2013.

On 26 December 2013, the Shanghai Intermediate Court approved the withdrawal of the claim initiated by Grand China Logistics against the Company, Titan TQSL and Titan Fujian in the PRC in relation to the GCL Sale and Purchase Agreement.

In addition, the Company was also notified that the Shanghai Intermediate Court, on 23 December 2013, ordered the discontinuation of the proceedings in relation to the counterclaim lodged by Titan Fujian against Grand China Logistics on the grounds that, following the Assignment, Grand China Logistics was no longer the appropriate defendant for the counterclaim as it had transferred all its interests, rights and obligations in respect of the GCL Sale and Purchase Agreement and the supplemental agreements thereto to GZE. The litigation between Titan Fujian and Grand China Logistics was resolved on 23 December 2013.

30. CONTINGENT LIABILITIES (Continued)

e) PRC Proceedings (Continued)

Notwithstanding the discontinuation of the proceedings (both with respect to the claim brought by Grand China Logistics and the counterclaim brought by Titan Fujian) in the Shanghai Intermediate Court referred to above, any disposition of the assets of Titan Quanzhou Shipyard remain subject to, among other things, GZE's rights under the Indebtedness originally owned by Titan Quanzhou Shipyard to the Fuzhou branch of Shanghai Pudong Development Bank Co. Ltd (the "Indebtedness") and the collateral and guarantee granted in respect of the Indebtedness (the "Securities"). Since Titan Quanzhou Shipyard has been in default on its payment obligations under the Indebtedness and the Securities liable to be enforced by GZE. Further details in respect of the above are included in the Company's announcement dated 14 January 2014.

Other than the contingent liabilities as disclosed above, the Group and the Company had no other material contingent liabilities as at 30 June 2012 and 31 December 2011.

31. 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 2011: HK$1 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$5.1 million (approximately HK$40 million) (period ended 30 June 2011: US$6.1 million (approximately HK$47 million)) charter fees to Oceanic Shipping, a company incorporated in Singapore and wholly-owned by a director. The amount was comparable to the prevailing market rates for similar bareboat charters and terms.

On 1 June 2012, a subsidiary of the Group received a written notice from Oceanic Shipping to terminate all five bareboat charter agreements with effect from the same day. Oceanic Shipping confirmed that subject to delivery of the vessels, the subsidiary of the Group was released from all obligations under the charter agreements other than its obligation to pay accrued and unpaid charter fees up to and including 31 May 2012 totalling US$5.6 million (approximately HK$43 million).

(c) Building of vessels

As at 31 December 2011, the shipbuilding subsidiary of the Group had an amount due from Titan Oil of HK$98.5 million, which was included in accounts receivable of assets of a disposal group classified as held for sale relating to the building and sale of vessels to Titan Oil. This amount was settled during the period.

31. RELATED PARTY TRANSACTIONS (Continued)

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

As at 30 June 2012, the Group had an amount due from a subsidiary of Titan Oil of RMB874,000 (equivalent to approximately HK$1,078,000) (31 December 2011: RMB874,000 (equivalent to approximately HK$1,082,000)) and an amount due to a subsidiary of Titan Oil of US$302,000 (equivalent to approximately HK$2,356,000) and RMB9,650,000 (equivalent to approximately HK$11,900,000) (31 December 2011: US$141,000 (equivalent to approximately HK$1,098,000)) which were unsecured, interest-free and had no fixed terms of repayment.

(e) Bank guarantee

As at 30 June 2012, a guarantee was granted by one of the directors of the Company to a bank in connection with bank loans of RMB1,199 million (equivalent to approximately HK$1,479 million) (31 December 2011: RMB1,199 million (equivalent to approximately HK$1,485 million)) granted to Titan Quanzhou Shipyard. Bank loans of RMB1,419 million (equivalent to approximately HK$1,750 million) (31 December 2011: RMB1,379 million (equivalent to approximately HK$1,708 million)) also pledged by certain shares of the Company owned by related companies of the Company.

32. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this report, the Group had events after the reporting date are as follows.

a) Listing status

The Company was placed in the second stage of delisting procedures in accordance with Practice Note 17 to the Listing Rules since 22 November 2013. The Company is required to submit a viable resumption proposal to the Stock Exchange of Hong Kong Limited (the "Stock Exchange") by 5 May 2014 to address the following:

i) the Company must demonstrate sufficient operations or assets under Listing Rule 13.24;

ii) the Company must publish all outstanding financial results and address any audit qualifications; and

iii) the Company must have the winding up petition against it withdrawn or dismissed and the provisional liquidators discharged.

b) Convertible bonds subscriptions

On 9 April 2013, the Company entered into a subscription agreement with CGL Resources ("the CGL Subscription Agreement") in relation to the subscription by CGL Resources for convertible bonds (the "CGL CB") in the principal amount of HK$50 million.

The Company also entered into a subscription agreement with New Berkeley (the "New Berkeley Subscription Agreement") on 9 April 2013 in relation to the subscription by New Berkeley for convertible bonds (the "New Berkeley CB") in the principal amount of HK$80 million.

On 29 April 2013, the Company entered into a subscription agreement with Wahen Investments (the "Wahen Subscription Agreement") in relation to the subscription by Wahen Investments for convertible bonds (the "Wahen CB") in the principal amount of HK$180 million.

32. EVENTS AFTER THE REPORTING PERIOD (Continued)

b) Convertible bonds subscriptions (Continued)

Further details in respect of the above are included in the Company's announcements dated 11 April 2013, 29 April 2013 and 25 November 2013.

Under the CGL Subscription Agreement, the New Berkeley Subscription Agreement and the Wahen Subscription Agreement (collectively the "CB Subscription Agreements"), if the conditions precedent set out therein were not fulfilled on or before 31 December 2013 (the "Long Stop Date") (or such later date as may be agreed between the CGL CB Subscribers, the New Berkeley CB Subscribers and the Wahen CB Subscribers, (collectively the "CB Subscribers") and the Company in writing), the CB Subscription Agreements shall lapse and become null and void. The conditions precedent set out in the CB Subscription Agreements were not fulfilled on or before 31 December 2013. The Company and the CB Subscribers are in continuing discussions with a view to extending the Long Stop Date.

c) Liquidation of subsidiaries

As part of the Group cost control efforts, the following subsidiaries of the Company were placed into liquidation up to the date of this report:

i) Titan Solar Pte Ltd
ii) Titan Bunkering Pte. Ltd.
iii) Titan Orient Lines Pte. Ltd.
iv) Far East Bunkering Services Pte Ltd
v) NAS Management Pte Ltd
vi) Titan Chios Pte. Ltd.
vii) Titan Libra Pte. Ltd.
viii) Titan Gemini Pte. Ltd.
ix) Titan Pisces Pte. Ltd.
x) Titan Virgo Pte. Ltd.
xi) Sino Venus Pte. Ltd.
xii) Titan Aries Pte. Ltd.
xiii) Titan Mercury Shipping Pte. Ltd.
xiv) Titan Resources Management (S) Pte. Ltd.
xv) Titan Ocean Pte Ltd
xvi) Sino Mercury Pte. Ltd.
xvii) Titan Neptune Shipping Pte. Ltd.

Since the above subsidiaries which operated in Singapore ("Singapore subsidiaries") were put into liquidation in 2013, most of the their books and records have been under the control of a liquidator.

33. COMPARATIVE AMOUNTS

The comparative income statement has been re-presented as if the operation discontinued during the current period had been discontinued at the beginning of the comparative period. Certain comparative amounts have been reclassified to conform with the current period presentation. In the opinion of the Company's directors, such reclassification provides a more appropriate presentation on the Group's business segments.

OTHER INFORMATION

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

At 30 June 2012, the interests and short positions of the directors and the chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as set out below.

Long positions in ordinary shares of the Company:

Name of director	Capacity	Number of shares	Approximate % of shareholding
Mr. Tsoi Tin Chun	Interest of controlled corporations	3,556,353,661	45.47

Note: Titan Shipyard Investment Company Limited ("TSICL") and Vision Jade Investments Limited ("Vision Jade") were wholly-owned subsidiaries of Great Logistics Holdings Limited ("Great Logistics") which, in turn, was a wholly-owned subsidiary of Titan Oil Pte Ltd ("Titan Oil"). Titan Oil was owned as to 95% by Mr. Tsoi Tin Chun ("Mr Tsoi") and as to 5% by Ms. Tsoi Yuk Yi ("Ms. Tsoi"), the spouse of Mr. Tsoi. Mr. Tsoi was a director of Titan Oil, Great Logistics and TSICL.

By virtue of the SFO, Mr. Tsoi was deemed to be interested in the shares of the Company held by Titan Oil, Great Logistics, TSICL and Vision Jade as at 30 June 2012.

On 30 August 2012, (i) Titan Oil, Great Logistics, TSICL and Vision Jade (all of which were beneficially owned by Mr. Tsoi Tin Chun, a director of the Company at the time, and his spouse and referred to below as the "Tsoi Companies") entered into four sale and purchase agreements with Fame Dragon International Investment Limited ("Fame Dragon"), in relation to the sale by the Tsoi Companies of an aggregate of 3,556,353,661 ordinary shares of the Company, and (ii) the irrevocable voting proxies in respect of the 3,556,353,661 ordinary shares of the Company were given by the Tsoi Companies in favour of Fame Dragon.

Mr. Tsoi resigned as a director of the Company on 5 February 2013.

Approximate percentage of shareholding is calculated based on 7,820,554,682 ordinary shares of the Company issued as at 30 June 2012.

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

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

Note: 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.

Approximate percentage of shareholding is calculated based on 7,820,554,682 ordinary shares of the Company issued as at 30 June 2012.

Interest in an associated corporation:

Name of director	Capacity	Associated corporation	Interest in associated corporation	% interest in shareholding
Mr. Tsoi	Interest of corporation controlled by director	Fujian Shishi Titan Sailor Administer Co., Ltd.	US$43,130,000 (Capital contribution)	100

Note: Mr. Tsoi was 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 was also a director of Fujian Shishi.

Save as disclosed above, at 30 June 2012, none of the directors or the chief executive had registered any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

SHARE OPTION SCHEME

Movements in the share options during the six months ended 30 June 2012 under the share option schemes adopted by the Company on 31 May 2002 (as amended on 24 June 2010) (the "2002 Share Option Scheme") and on 20 June 2011 (the "New Share Option Scheme") are set out below.

(a) 2002 Share Option Scheme

The following share options under the 2002 Share Option Scheme were outstanding at 30 June 2012:

	Number of share options							
Name or category of participant	At 1 January 2012	Granted during the period	Lapsed during the period	Exercised during the period	At 30 June 2012	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
	15,290,000	–	–	–	15,290,000	1 February 2008	1 February 2010 to 31 January 2015	0.45

OTHER INFORMATION

Name or category of participant	Number of share options: At 1 January 2012	Granted during the period	Lapsed during the period	Exercised during the period	At 30 June 2012	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$
	74,520,000	–	(9,240,000)	–	65,280,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	47,120,000	–	(1,040,000)	–	46,080,000	1 February 2008	1 February 2012 to 31 January 2017	0.45
	42,600,000	–	(1,220,000)	–	41,380,000	1 February 2008	1 February 2013 to 31 January 2018	0.45
	198,690,000	–	(21,080,000)	–	177,610,000			
	218,690,000	–	(21,080,000)	–	197,610,000			

* 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 were 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.

During the period, no share options were granted, exercised or 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 2012, 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 5)
Ms. Tsoi Yuk Yi	Interest of spouse	3,556,353,661 (Note 1)	45.47
Titan Oil	Interest of a controlled corporation/ Beneficial owner	3,556,353,661 (Note 1)	45.47
Great Logistics	Interest of controlled corporations/ Beneficial owner	3,224,477,760 (Note 1)	41.23
Moral Base Investment Limited	Beneficial owner	1,000,000,000	12.79
Mr. Wong Chi Leung	Interest of a controlled corporation/ Interest of spouse	1,000,000,000 (Note 2)	12.79
Ms. Wong Kwok Ying	Interest of a controlled corporation/ Interest of spouse	1,000,000,000 (Note 2)	12.79
Saturn Petrochemical Holdings Limited	Beneficial owner	555,000,000	7.10
Sunny Mallow Limited	Interest of a controlled corporation	555,000,000 (Note 3)	7.10
Warburg Pincus & Co.	Interest of a controlled corporation	555,000,000 (Note 3)	7.10
Warburg Pincus IX, LLC	Interest of a controlled corporation	555,000,000 (Note 3)	7.10
Warburg Pincus Partners LLC	Interest of a controlled corporation	555,000,000 (Note 3)	7.10
Warburg Pincus Private Equity IX, L.P.	Interest of a controlled corporation	555,000,000 (Note 3)	7.10

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Name	Capacity	Number of shares and underlying shares	Approximate % of shareholding (Note 5)
Grand China Logistics Holding (Group) Company Limited	Beneficial owner	500,000,000 (Note 4)	6.39
Haikou Meilan International Airport Co., Ltd.	Interest of controlled corporations	500,000,000 (Note 4)	6.39
Hainan Development Holdings Co., Ltd.	Interest of controlled corporations	500,000,000 (Note 4)	6.39

Note 1: Among these interest, 332,514,799 shares were held by TSICL and 31,262,759 shares were held by Vision Jade. TSICL and Vision Jade were wholly-owned subsidiaries of Great Logistics which held 2,860,700,202 shares and which, in turn, was a wholly-owned subsidiary of Titan Oil. Titan Oil directly held 331,875,901 shares and Titan Oil was owned as to 95% by Mr. Tsoi Tin Chun ("Mr Tsoi") and as to 5% by Ms. Tsoi Yuk Yi ("Ms. Tsoi"), the spouse of Mr. Tsoi.

By virtue of the SFO, Ms. Tsoi was deemed to be interested in the shares of the Company held by Titan Oil, Great Logistics, TSICL and Vision Jade as at 30 June 2012.

On 30 August 2012, (i) Titan Oil, Great Logistics, TSICL and Vision Jade (all of which were beneficially owned by Mr. Tsoi, a director of the Company at the time, and his spouse and referred to below as the "Tsoi Companies") entered into four sale and purchase agreements with Fame Dragon, in relation to the sale by the Tsoi Companies of an aggregate of 3,556,353,661 ordinary shares of the Company, and (ii) the irrevocable voting proxies in respect of the 3,556,353,661 ordinary shares of the Company were given by the Tsoi Companies in favour of Fame Dragon.

Note 2: Pursuant to the SFO, Mr. Wong Chi Leung ("Mr. Wong") and Ms. Wong Kwok Ying ("Ms. Wong"), spouse of Mr. Wong, were deemed to be interested in shares of the Company held by Moral Base Investment Limited ("Moral Base"), which was legally and beneficially owned as to 50% by Mr. Wong and as to 50% by Ms. Wong.

Note 3: Based on the disclosure of interests notices filed with the Stock Exchange on 21 June 2012, Saturn Petrochemical Holdings Limited ("SPHL") was interested in 555,000,000 ordinary shares of the Company. Pursuant to the SFO, as Sunny Mallow Limited, Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus IX, LLC and Warburg Pincus Private Equity IX, L.P. had 100% control over SPHL, each of Sunny Mallow Limited, Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus IX, LLC and Warburg Pincus Private Equity IX, L.P. was deemed to be interested in the shareholding interest of SPHL in the Company.

As disclosed in the Company's announcement dated 12 July 2012, the Company received on 4 July 2012 a notice to redeem all of the outstanding 555,000,000 convertible redeemable preferred shares of the Company from SPHL. As such, each of SPHL, Sunny Mallow Limited, Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus IX, LLC and Warburg Pincus Private Equity IX, L.P. ceased to have any interests in the ordinary shares of the Company thereafter.

Note 4: Based on the disclosure of interests notices filed with the Stock Exchange on 23 December 2010, Grand China Logistics was interested in 500,000,000 shares of the Company.

Pursuant to the SFO, as Haikou Meilan International Airport Co., Ltd. ("Haikou Meilan") together with its fellow corporations namely Yangtze River Investment Holdings Co., Ltd. and Bohai International Trust Co., Ltd. were interested in more than one-third of the equity interest in Grand China Logistics, Haikou Meilan was 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 were interested in more than one-third of the equity interest in Haikou Meilan, Hainan Development was deemed to be interested in the shareholding interests of Grand China Logistics in the Company.

Note 5: Based on 7,820,554,682 ordinary shares of the Company issued as at 30 June 2012.

Save as disclosed above, at 30 June 2012, 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 2012, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of Directors' biographical details since the date of last annual report of the Company are set out below.

Mr. Zhao Xu Guang appointed as the Chairman and an Executive Director of the Company on 3 July 2012. He was the Chief Executive during the period from 23 August 2012 to 26 March 2013.

Mr. Fu Yong Yuan appointed as an Executive Director of the Company on 3 July 2012.

Mr. Hu Zhong Shan and Mr, Fan Qinghua appointed as a non-executive director of the Company on 29 August 2012 and 26 March 2013 respectively.

Mr. Tang Chao Zhang appointed as an Executive Director and the Chief Executive of the Company on 26 March 2013.

Mr. Tsoi Tin Chun resigned as the Chairman of the Board on 3 July 2012 and was re-designated as a non-executive director of the Company on 3 July 2012. He resigned as a non-executive director of the Company on 5 February 2013.

Mr. Abraham Shek Lai Him appointed as an independent non-executive director of each of Lai Fung Holdings Limited and Jetstar Hong Kong Airways Limited with effect from 19 December 2012 and 28 February 2013 respectively. He ceased to act as a member of HKSAR Commission on Strategic Development with effect from 1 July 2012 and then further appointed as a member of HKSAR Commission on Strategic Development for a term of two years from 18 January 2013 to 17 January 2015. He appointed as a director of Macau Horse Racing Company Limited and Macau Jockey Club with effect from 27 March 2013. Mr. Shek awarded the Gold Bauhinia Star on 1 July 2013.

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Ms. Maria Tam Wai Chu retired as an independent non-executive director of the Company on 29 June 2012. Mr. Shane Frederick Weir was appointed as an independent non-executive director on 29 June 2012 and retired on 30 September 2013. Mr. Foo Meng Kee was appointed as an independent non-executive director on 27 December 2013.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "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 2012 except for the deviations set out below.

In respect of code provision A.2.1 of the CG Code, as announced on 27 August 2012, Mr. Zhao Xu Guang, the Chairman of the Board, also took up the position of acting Chief Executive following the departure of his predecessor. Mr. Zhao has been, since that date, responsible for the Group's strategic planning for new projects and corporate development and also overseeing the Group's overall operations and performance with the support of the management team. On 26 March 2013, the Company appointed Mr. Tang Chao Zhang as an Executive Director and the Chief Executive and Mr. Zhao Xu Guang ceased to be the Chief Executive. With this appointment, the segregation of the roles of the Chairman and the Chief Executive came into effect.

According to code provision E.1.2 of the CG Code, the Chairman of the Board shall attend the annual general meeting to answer questions. The former Chairman of the Board, Mr. Tsoi Tin Chun, was unable to attend the annual general meeting of the Company held on 29 June 2012 due to an overseas commitment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 relevant directors, all the relevant directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2012.

REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The members of the audit committee of the Company during the period and up to the date of this report were Mr. John William Crawford (Chairman), Mr. Abraham Shek Lai Him and Mr. Foo Meng Kee (appointed on 27 December 2013). Ms. Maria Tam Wai Chu retired on 29 June 2012 as a member of the audit committee and Mr. Shane Frederick Weir was appointed on 29 June 2012 and retired on 30 September 2013.

The audit committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012.

CONTINUED SUSPENSION IN TRADING

Trading in the shares of the Company was suspended with effect from 9:00 a.m. on 19 June 2012 and will remain suspended until further notice.