2012 Annual 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

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CHAIRMAN'S STATEMENT

In July 2012, faced with the Group's dire and deteriorating financial position, almost stagnant business operations, and successive material litigation issues, the board of directors (the "Board") of Titan Petrochemicals Group Limited (the "Company" or "Titan", together its subsidiaries, the "Group") and management sought to reorganise the Company with the support of a "white knight", Guangdong Zhengrong Energy Co., Ltd. ("GZE").

The Group was confronted with severe liquidity issue arising from the default in payment on a transaction involving the Group's disposal of its equity interest in Titan Quanzhou Shipyard Co., Ltd. ("Titan Quanzhou Shipyard") when the purchaser failed to make the residual payments which had been earmarked for debt repayments. The lack of funding, in time, triggered a chain effect where, first, we defaulted in paying the fixed rate guaranteed senior notes which were due in March 2012 (the "Senior Notes Due 2012"), followed by successive defaults in other debt repayments and, eventually, this resulted in a winding-up petition against the Company filed by the creditors with the Supreme Court of Bermuda (the "Bermuda Court") in July 2012.

The Group's interest in Titan Group Investment Limited ("TGIL"), a joint venture with Saturn Storage Limited ("SSL") engaged in onshore petroleum product storage, was jeopardised when SSL exercised its redemption rights under the convertible preferred shares (the "TGIL preferred shares") and convertible unsecured notes (the "TGIL Notes Due 2014") issued by TGIL. In July 2012, the Eastern Caribbean Supreme Court of the British Virgin Islands (the "BVI Court") ordered the liquidation of TGIL. This business is, therefore, now classified as one of the discontinued operations in the Annual Report.

As the shipyard operated by Titan Quanzhou Shipyard has been in prolonged litigation and with production suspended this, collectively, resulted in a loss of approximately HK$2,400 million in 2012. As a result of the TGIL liquidation, the Group also suffered a further loss of approximately HK$1,100 million. These two principal operations, were the main contributors to the Group recording a significant loss of approximately HK$4,000 million in aggregate in 2012, the details of which are explained in the Management Discussion and Analysis and discontinued operations section in this annual report.

In seeking to rescue the Company, the key efforts undertaken by GZE to date include:

1. acquiring 45.47% of the issued share capital of the Company previously held by the Group's founding shareholder;

2. working actively with management on proposed financial plans to rescue the Company; and

3. introducing new business lines/products for the Group at appropriate time in future.

GZE's investment interest provides hope for the Group's recovery where it will benefit from GZE's business connections on several fronts. Firstly, GZE is a player in energy and resource commodities trading, and project investment, i.e. businesses which are similar to that of Titan's. Thus it is expected that GZE can provide strong support in operations to help Titan to recover from its difficult stressed state. GZE will leverage on this complementary advantages to achieve long-term cooperation and development, which is in the best interests of all stakeholders and creditors.

CHAIRMAN'S STATEMENT

Facing severe financial and operational constraints, the Company has been taking a number of initiatives to strengthen its management, mitigate operational risks, and increase financial resources. These include:

1. Introduction of GZE and other investors to provide funding to the Group, which is subject to, among others, the dismissal of the winding-up petition in Bermuda and approval of a creditors' scheme of arrangement;

2. Reorganisation of the Board and management team to steer the Company with new perspectives;

3. Plans to restructure debt and the equity status of the Group; and

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

OUTLOOK

Without doubt there are many challenges and obstacles ahead. Firstly, we must smoothly complete the debt restructuring and, in this regard, the support of noteholders, creditors, shareholders, employees and other stakeholders is vital in putting the Company back on the road to recovery. Thereafter, we will need to effectively resolve outstanding litigation matters, have the winding up petition against the Company struck out and resume trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Once the Company is stabilized, we will proactively expand into the marine engineering equipment manufacturing sector and other energy related business areas to develop new business lines/products for the Company that are market competitive and have healthy growth potential.

Zhao Xu Guang
Chairman

Hong Kong, 14 February 2014

DIRECTORS' BIOGRAPHIES

MR. ZHAO XU GUANG

Chairman and Executive Director

Mr. Zhao, aged 50, has been the Chairman and an Executive Director of the Company since 3 July 2012. He is 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. He is currently a co-chairman of 中國富強基金會有限公司 (China Fortune Foundation Limited). From 1987 to 1991, he worked for 中國對外經濟貿易部 (China Foreign Economic and Trade Department). In the past, he acted as general manager, chairman and director of various enterprises specializing in trading, investment, property and in the energy field. Mr. Zhao has 20 years of working experience in corporate management, securities investment, corporate merger and restructuring and commercial disputes. He graduated from Guangdong University of Foreign Studies with a Bachelor of Economics degree.

MR. TANG CHAO ZHANG

Chief Executive and Executive Director

Mr. Tang, aged 38, has been appointed as the Chief Executive and an Executive Director of the Company since 26 March 2013. He is currently a vice-president of Guangdong Zhenrong Energy Co., Ltd. ("GZE") and a director of Fame Dragon International Investment Limited ("Fame Dragon"). From 2008 to 2011, Mr. Tang took up the role of vice-president of 廣東振戎石油化工有限公司 (Guangdong Zhenrong Petrochemical Co., Ltd). He is also a director of Fame Dragon Singapore Pte Ltd. and 雲南振戎潤德珠寶有限公司 (Yunnan Zhenrong Runde Jewellery Ltd). Mr. Tang graduated from Guangdong University of Foreign Studies with a Bachelor of Arts degree in International Marketing.

MR. PATRICK WONG SIU HUNG

Executive Director

Mr. Wong, aged 58, has been an Executive Director of the Company since 7 May 2008 and is responsible for strategic and operational leadership for all of the Company's business and operations. He is also a member of the nomination committee. Mr. Wong has more than 30 years of working experience in banking, finance, commodity trading and project development. He has held several key positions in the Company from 2002 to 2005. Prior to joining the Company, Mr. Wong was a senior vice president of Commodity and Trade Finance at Societe Generale in Singapore and worked at commodity trading firms such as Louis Dreyfus where he was the chief executive officer of China. Mr. Wong is an Associate Member of the Chartered Institute of Bankers, the United Kingdom and holds a master degree in Applied Finance from Macquarie University, Australia.

MR. FU YONG YUAN

Executive Director

Mr. Fu, aged 57, was appointed as an Executive Director of the Company on 3 July 2012 and the chairman of Titan Quanzhou Shipyard in August 2012. He was a general manager of Rojam Entertainment Holdings Limited. Mr. Fu has over 40 years of experience in shipping and freight management. He served in COSCO System for two decades from 1972 to 1992, Mr. Fu worked for 廣州遠洋運輸公司 (COSCO Guangzhou) and was responsible for managing freight, container transportation and vessel chartering operations. He was a general manager of 中遠系統福星航運企業有限公司廣州分公司(COSCO FuXing Shipping Enterprises Limited Guangzhou Branch) and a general manager and an executive director of 廣東華銓船務有限公司 (Guangdong HuaQuan Shipping Limited). Mr. Fu, a marine engineer and an economist in shipping management, graduated from Guangdong Province Economics Management Institute majoring in Industrial Economic Management.

MR. HU ZHONG SHAN

Non-executive Director

Mr. Hu, aged 59, was appointed as a Non-executive Director of the Company on 29 August 2012. He is currently the chairman of 亞洲興業發展有限公司 (Asian Inc. Development Limited). He was also a general manager of 海南柯達彩擴中心 (Hainan Keda Cai Kuo Centre), a vice president of 誠成企業集團(中國)有限公司 (Cheng Cheng Enterprises Group Co., Ltd. (China)), a director of 誠成文化股份有限公司 (Cheng Cheng Culture Inc) and a chairman of 健發控股有限公司 (Jian Fa Holdings Limited). He specializes in PRC legal affairs and commercial dispute resolutions. Mr. Hu studied law at the Wuhan Executive School of Management.

MR. FAN QINGHUA

Non-executive Director

Mr. Fan, aged 53, was appointed as a Non-executive Director of the Company on 26 March 2013. He is currently a director and a deputy general manager of GZE and a director of Fame Dragon. From 1992 to 1995, he joined 珠海東大集團公司 (Zhuhai Dongda Group) in the capacity of manager of the finance department and an assistant general manager. From 1995 to 1998, he was a senior deputy general manager of 珠海九豐阿科能源有限公司 (Zhuhai Jovoarco Energy Ltd). Mr. Fan is also the chairman of the trade union of GZE and a director of 上海市振戎石油有限公司 (Shanghai Zhenrong Petroleum Co., Ltd), 廣東晟戎能源有限公司 (Guangdong Shengrong Energy Co., Ltd.) and 新華(大慶)商品交易所有限公司 (Xinhua Commodity Exchange Co., Ltd.). Mr. Fan studied Economic Management and graduated from Henan Normal University.

MR. JOHN WILLIAM CRAWFORD, *JP*

Independent Non-executive Director

Mr. Crawford, aged 71, has been an Independent Non-executive Director of the Company since 27 February 2006 and is also the chairman of the audit committee.

He was a founding partner of Ernst & Young, Hong Kong and a vice chairman of the firm until his retirement in 1997. During his 25 years in public accounting, he was also the chairman of the audit division and was active in a number of large private and public company takeover and/or restructuring exercises. Mr. Crawford has been involved in various community service areas such as being a founding member of UNICEF Hong Kong Committee and the Hong Kong Institute of Directors. In 1997, Mr. Crawford was appointed a Justice of the Peace in Hong Kong. He is a member and was a governor for many years of the Canadian International School of Hong Kong and continues to be active in the promotion of pre-university education. Mr. Crawford is an independent non-executive director and the chairman of the audit committee of e-Kong Group Limited and Regal Portfolio Management Limited which is a manager of Regal Real Estate Investment Trust, the shares and units, respectively, of which are listed in Hong Kong. He is also an independent non-executive director of Entertainment Gaming Asia Inc., a company listed on the Nasdaq Capital Market.

DIRECTORS' BIOGRAPHIES

MR. ABRAHAM SHEK LAI HIM, *GBS, JP*

Independent Non-executive Director

Mr. Shek, aged 68, has been an Independent Non-executive Director of the Company since 27 February 2006 and is also the chairman of the nomination committee and a member of each of the audit committee and the remuneration committee.

Mr. Shek was awarded the Gold Bauhinia Star by the Government of Hong Kong SAR on 1 July 2013. He graduated from the University of Sydney with a Bachelor of Arts degree.

Mr. Shek is a member of the Legislative Council for the Hong Kong SAR, a vice chairman of Independent Police Complaints Council and a Court member of the Hong Kong University of Science and Technology and a member of the Court and the Council of the University of Hong Kong. He is a non-executive director of The Hong Kong Mortgage Corporation Limited.

Mr. Shek is the chairman and an independent non-executive director of Chuang's China Investments Limited, a vice chairman and an independent non-executive director of ITC Properties Group Limited. He is also an independent non-executive director of China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Cosmopolitan International Holdings Limited, Country Garden Holdings Company Limited, Dorsett Hospitality International Limited, Hop Hing Group Holdings Limited, Hsin Chong Construction Group Ltd., ITC Corporation Limited, Lai Fung Holdings Limited, Lifestyle International Holdings Limited, Midas International Holdings Limited, MTR Corporation Limited, NWS Holdings Limited, Paliburg Holdings Limited and SJM Holdings Limited.

He is also an independent non-executive director of Eagle Asset Management (CP) Limited and Regal Portfolio Management Limited which is the manager of Champion Real Estate Investment Trust and Regal Real Estate Investment Trust (the units of which are listed on the Stock Exchange).

MR. FOO MENG KEE

Independent Non-executive Director

Mr. Foo, aged 64, has been an Independent Non-executive Director of the Company since 27 December 2013 and is also the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee.

Mr Foo served in Hitachi Zosen Singapore Ltd. ("Hitachi") from 1976 to 1998 and he successfully led the listing of the company on the main board of the Singapore Exchange in 1992. Presently, Mr. Foo is the principal owner and the managing director of MK Capital Pte Ltd and MK Marine Pte Ltd. He also holds directorships in the following companies listed on Singapore Exchange: Sinarmas Land Limited and Lee Metal Group Ltd, being the Independent Director and the Chairman of the Audit Committee; and Jiutian Chemical Group Limited, being the Non-executive and Independent Director.

Mr. Foo obtained a Bachelor of Commerce (Honours) from Nanyang University of Singapore in 1973, and a Master of Business Administration from University of Dubuque, USA, in 1990.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 December 2012, the Group's revenue from continuing operations was HK$1,272 million, compared to HK$1,916 million in the previous year. The loss before tax from continuing operations was HK$482 million, compared to HK$481 million in 2011, while the loss for the year widened to HK$3,977 million, mainly comprised of the loss on early redemption for the TGIL preferred shares and the TGIL Notes Due 2014 amounting to HK$1,167 million, impairment on shipyard assets of HK$1,613 million, the loss before tax of HK$482 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 stressed financial position, the Board proposed not to declare any dividends for the 2012 fiscal year.

BUSINESS REVIEW

The Group has been a provider of logistics, transportation, distribution and marine services for petrochemical products in the Asia Pacific region, in particular, in China. In addition, it has developed and provided management services for a multi-functional ship repair 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 declined by 24% to HK$380 million compared to last year. The segment loss before interest, tax, depreciation and amortisation (the "LBITDA") increased to HK$58 million as compared to HK$50 million in the prior year.

During the year under review, the Group operated 7 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 with all units passing 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 year under review. Owing to volatile oil price fluctuations and the uncertain market status, revenue from this business segment decreased by 45% to HK$194 million compared to the prior year. The segment LBITDA dropped to HK$79 million, down from HK$177 million in 2011.

Supply of Oil Products and Provision of Bunker Refueling Services

The Group was engaged in the supply of oil products and provision of bunker refueling services. Revenue from this business segment dropped by 35% to HK$698 million in 2012.

With a total capacity of 486,126 dwt, the Group operated 12 tankers and VLCCs in the first half of 2012. Despite the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Holding (Group) Company Limited ("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 31 December 2012 as Grand China Logistics failed to comply with its payment obligations, so this business continues to be classified as a "discontinued operation".

Due to the adverse shipbuilding market conditions, during the year, the revenue from the shipbuilding segment decreased by 86% to only HK$12 million, and segment LBITDA was HK$2,271 million, including impairment of property, plant and equipment of HK$935 million, impairment of goodwill of HK$571 million, impairment of prepayments, deposits and other receivables of HK$107 million and impairment of prepaid land/seabed lease payments of HK$166 million as compared to segment LBITDA of HK$170 million in 2011.

China Terminals (Onshore Storage)

The Group, through TGIL, in the past operated one of the leading onshore storage terminals in China 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 year under review.

Revenue from the Onshore Storage business from China Terminals decreased by 60% to HK$77 million, and the segment LBITDA was HK$992 million as compared to segment earnings before interest, tax, depreciation and amortisation ("EBITDA") of HK$131 million in 2011. The declines were attributable to the deconsolidation of a jointly-controlled entity and revenue suffered from the continued volatile market in oil prices since mid-2011 which resulted in lower utilisation of the facilities and disruption to operations arising from the related litigation issues.

LIQUIDITY, FINANCIAL RESOURCES, CHARGES ON ASSETS AND GEARING

As at 31 December 2012, the Group net liabilities amounted to HK$3,139 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 31 December 2012,

a) The Group had:

- Cash and bank balances of HK$124 million (2011: HK$221 million) of which HK$1 million (2011: HK$62 million) was from the discontinued operation in respect of the shipbuilding segment; pledged deposits and restricted cash of HK$604 million (2011: HK$1,132 million) of which no pledged deposits and restricted cash (2011: HK$7 million) were from the discontinued operation in respect of the shipbuilding segment. These balances were comprised of:

  – an equivalent of HK$136 million (2011: HK$38 million) denominated in US dollars

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

- an equivalent of HK$529 million (2011: HK$1,313 million) of which HK$1 million (2011: HK$69 million) was from the discontinued operation, denominated in RMB

- HK$4 million (2011: HK$2 million) in Hong Kong dollars

- an equivalent of HK$58 million denominated in EURO

- Interest-bearing bank loans of HK$2,625 million (2011: HK$4,838 million), of which HK$2,440 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$6 million (2011: HK$544 million). The Group bank loans having maturities within one year amounted to HK$2,568 million (2011: HK$3,869 million) of which HK$2,383 million (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$811 million (2011: HK$902 million)

- Bank balances and deposits of HK$578 million (2011: HK$1,065 million)

- Machinery with an aggregate net carrying value of HK$98 million (2011: HK$218 million)

- Buildings with an aggregate net carrying value of HK$454 million (2011: HK$480 million)

- Prepaid land/seabed lease payments with an aggregate net carrying value of HK$330 million (2011: HK$915 million)

- At 31 December 2011, storage facilities with an aggregate net carrying value of HK$1,563 million. As at 31 December 2012, no storage facilities were pledged to 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 Group

c) The Senior Notes Due 2012 of HK$892 million (2011: HK$845 million), the guaranteed senior convertible notes (the "Convertible Notes Due 2015") of HK$454 million (2011: HK$328 million) and the guaranteed senior payment-in-kind notes (the "PIK Notes Due 2015") of HK$92 million (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 the following:

- Current assets of HK$3,443 million (2011: HK$6,438 million) and total assets of HK$3,472 million (2011: HK$10,623 million) of which HK$2,423 million (2011: HK$4,834 million) was from the discontinued operation of the shipbuilding segment
- Total bank loans of HK$2,625 million (2011: HK$4,838 million) of which HK$2,440 million (2011: HK$2,338 million) was from the discontinued operation in respect of the shipbuilding segment
- The Senior Notes Due 2012 of HK$892 million (2011: HK$845 million)
- The Convertible Notes Due 2015 of HK$454 million (2011: HK$328 million)
- The PIK Notes Due 2015 of HK$92 million (2011: HK$84 million)
- The convertible preferred shares issued by the Company (the "Titan preferred shares") with a liability portion of HK$392 million (2011: HK$363 million)
- 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 31 December 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$46 million (2011: HK$197 million)
- At 31 December 2011, 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 31 December 2012
- Loan from a shareholder of HK$10 million (2011: HK$Nil)

e) The Group's current ratio was 0.52 (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, the TGIL Notes Due 2014 and the loan from a shareholder to total assets, increased to 1.19 (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 31 December 2012, the Group had 510 employees (2011: 1,140), of which 399 employees (2011: 509) worked in Mainland China, and 89 employees (2011: 609) were based in Singapore and 22 employees (2011: 22) were based in Hong Kong. Included in those working in Mainland China, 388 employees (2011: 494) were from Titan Quanzhou Shipyard. In addition, due to the deconsolidation of a jointly-controlled entity as a result of the appointment of joint and several liquidators on 17 July 2012 (BVI time) for the onshore storage operations, there were no employees (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 year.

LITIGATION

a) Bermuda Proceedings

On 4 July 2012, the Company received from Saturn Petrochemical Holdings Limited ("SPHL") a notice to redeem all of the 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 9 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 subsequently, 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 the Hong Kong Court.

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) **People's Republic of China ("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 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;

MANAGEMENT DISCUSSION AND ANALYSIS

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 GCL 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 Limited 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:

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

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

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

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 year ended 31 December 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 act as 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 last annual general meeting of the Company held on 29 June 2012 due to an overseas commitment.

THE BOARD

The Board of Directors (the "Board"), led by the Chairman, is collectively responsible for the management of the business and affairs of the Group with the overall objective of protecting and enhancing shareholder value. It is also responsible for the formulation of the Group's overall strategies and policies, setting of corporate values and management targets and operational initiatives, monitoring and evaluating Group performance, and the approval of annual budgets, business plans, major capital expenditures, major investments and material acquisitions and disposals of assets.

As at 31 December 2012, the Board was comprised of eight directors, including three executive directors, two non-executive directors and three independent non-executive directors. Biographical details of the directors and their respective roles in the Group are set out in the Directors' Biographies section of this Annual Report. There are no relationships among the members of the Board.

The names of the directors during the year and as at the date of this report are set out below:

Executive directors

Mr. Zhao Xu Guang *(Chairman)* (appointed on 3 July 2012)
Mr. Tang Chao Zhang *(Chief Executive)* (appointed on 26 March 2013)
Mr. Patrick Wong Siu Hung
Mr. Fu Yong Yuan (appointed on 3 July 2012)

Non-executive directors

Mr. Hu Zhong Shan (appointed on 29 August 2012)
Mr. Fan Qinghua (appointed on 26 March 2013)
Mr. Tsoi Tin Chun
(re-designation as non-executive director on 3 July 2012 and resigned on 5 February 2013)

Independent non-executive directors

Mr. John William Crawford
Mr. Abraham Shek Lai Him
Mr. Foo Meng Kee (appointed on 27 December 2013)
Mr. Shane Frederick Weir (appointed on 29 June 2012 and retired on 30 September 2013)
Ms. Maria Tam Wai Chu (retired on 29 June 2012)

In determining the independence of directors, the Board follows the independence guidelines set out in the Listing Rules. The Board has received from each independent non-executive director a written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. Mr. John William Crawford, the chairman of the audit committee, has the appropriate accounting and financial management expertise required under Rule 3.10(2) of the Listing Rules.

Non-executive directors, including independent non-executive directors, are appointed for terms of two years. In addition, all directors are subject to re-election by shareholders at the annual general meeting at least every three years on a prescribed rotational basis. According to the Company's bye-laws, directors appointed to fill casual vacancies shall hold office only until the next following annual general meeting and can be eligible for re-appointment at that time.

The Company has arranged insurance coverage for director and officer liabilities including cover for senior management of the Company and directors and officers of subsidiaries.

CHAIRMAN AND THE CHIEF EXECUTIVE

The Chairman is responsible for providing leadership to and overseeing the functioning of the Board to ensure that it acts in the best interests of the Group. With the support of other directors, the Chairman seeks to ensure that all directors are properly briefed on issues arising at board meetings and receive adequate and reliable information in a timely manner. He also actively encourages directors to be fully engaged in Board affairs and make contributions to the Board in the fulfillment of its responsibilities.

The Chief Executive is responsible for the day-to-day management and operations of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations and performance. The holder of this position maintains an ongoing dialogue with the Chairman on major business developments and issues and the adoption/execution of Group strategies, policies and objectives by the various business units. He is also responsible for building and maintaining an effective executive team to support him in this role.

During the year, Mr. Zhao Xu Guang, the Chairman of the Board, had been appointed as acting Chief Executive with effect from 23 August 2012 following the departure of the Chief Executive on the same day. Subsequently 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.

BOARD MEETINGS

The Board meets at least four times a year and has formal procedures to include matters to be referred to it for consideration and decisions. Notice of at least 14 days is served for regular Board meetings. Between scheduled meetings, management provides information to the directors on the activities and developments in the businesses of the Group. As and when deemed necessary, additional Board meetings may be convened. In addition, any director may request the Company secretary to arrange for independent professional advice to assist the directors to effectively discharge their duties.

CORPORATE GOVERNANCE REPORT

ATTENDANCES OF MEETINGS

During the 2012 year, 12 full Board meetings, 3 audit committee meetings and 1 general meeting were held at which the individual attendance records of the directors were as follows:

Name of Directors	Meetings attended/Eligible to attend Board Meetings	Audit Committee Meetings	General Meetings
Executive directors			
Mr. Zhao Xu Guang *(Chairman)*	7/10	n/a	n/a
Mr. Patrick Wong Siu Hung	12/12	n/a	1/1
Mr. Fu Yong Yuan	10/10	n/a	n/a
Non-executive directors			
Mr. Hu Zhong Shan	3/4	n/a	n/a
Mr. Tsoi Tin Chun	2/12	n/a	0/1
Independent non-executive directors			
Mr. John William Crawford	12/12	3/3	0/1*
Mr. Abraham Shek Lai Him	12/12	3/3	0/1*
Mr. Shane Frederick Weir	10/10	1/1	n/a
Ms. Maria Tam Wai Chu	2/2	2/2	1/1

* attended by tele-conferencing

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Every Director keeps abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company. The Company seeks to provide all members of the Board with regular updates on the Group's performance and financial position.

Directors also review the regular business and financial updates and other reading materials provided to them concerning latest developments in corporate governance practices and relevant legal and regulatory developments. A record of the Directors' participation in various continuous professional development programs is kept with the Company Secretarial Department.

Name of Directors	Giving talks or attending seminars/ conferences/forums	Reading newspapers, journals and updates relating to the economy, general business, accounting, laws, rules and regulations, etc.
Executive directors		
Mr. Zhao Xu Guang *(Chairman)*	✓	✓
Mr. Patrick Wong Siu Hung	✓	✓
Mr. Fu Yong Yuan	✓	✓
Non-executive directors		
Mr. Hu Zhong Shan	✓	✓
Mr. Tsoi Tin Chun	✘	✘
Independent non-executive directors		
Mr. John William Crawford	✓	✓
Mr. Abraham Shek Lai Him	✓	✓
Mr. Shane Frederick Weir	✓	✓
Ms. Maria Tam Wai Chu	✓	✓

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for determining the policy for the corporate governance of the Company and performing its corporate governance duties as set out below.

(i) Develop and review the Company's policies and practices on corporate governance;

(ii) Review and monitor the training and continuous professional development of directors and senior management;

(iii) Review and monitor the Company's policies and practices on compliance with all legal and regulatory requirements;

(iv) Develop, review and monitor the code of conduct and compliance manual applicable to the employees and directors; and

(v) Review the Company's compliance with the code of corporate governance and disclosure requirements in the Corporate Governance Report.

During the year, the Board adopted a Corporate Governance Handbook which is comprised of, inter alias, continuous disclosure policies, securities dealings policies, whistle-blowing policies, shareholders communication policies as well as terms of reference of the board committees and the charter for internal audit.

NOMINATION COMMITTEE

A Nomination Committee was established on 28 March 2012 to take up the functions of assessing the adequacy of the Board composition and the nomination of directors from 2012 onwards. The Nomination Committee at the date of this report was comprised of two independent non-executive directors and an executive director, namely, Mr. Abraham Shek Lai Him *(Chairman)*, Mr. Foo Meng Kee (appointed on 27 December 2013) and Mr. Patrick Wong Siu Hung. Ms. Maria Tam Wai Chu and Mr. Shane Frederick Weir were members of the Nomination Committee during the periods from 28 March 2012 to 29 June 2012 and from 29 June 2012 to 30 September 2013 respectively.

The Committee has specific written terms of reference and its primary duties include:

- Review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- Assess the independence of independent non-executive directors and review the independent non-executive directors' annual confirmation on their independence;
- Make recommendations to the Board on the appointment and re-appointment of directors and the succession planning for directors and, in particular, the chairman and the chief executive;
- Review the contribution required from a director to perform his/her responsibilities, and whether he/she is spending sufficient time performing them;
- Review the training and continuous professional development of directors.

During the year ended 31 December 2012, the Nomination Committee members reviewed the structure, size and composition of the Board and made recommendations to the Board for approvals for the re-designation and changes of Board members by way of written resolutions signed by all the members of the Nomination Committee.

AUDIT COMMITTEE

The Audit Committee at the date of this report was comprised of three independent non-executive directors, namely, 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 and Mr. Shane Frederick Weir were members of the Audit Committee during the periods from 1 January 2012 to 29 June 2012 and from 29 June 2012 to 30 September 2013 respectively.

The Audit Committee has specific written terms of reference, including amongst other duties the following key responsibilities:

- Make recommendations to the Board on the appointment and, if necessary, the replacement/resignation of the external auditors and assess their independence, performance and fee levels;
- Review the completeness, accuracy and fairness of the Company's interim and annual financial statements and reports;
- Ensure compliance with the applicable accounting standards and legal and regulatory requirements on financial reporting and disclosures;
- Review the arrangements for the Company's employees to raise concerns about financial reporting and any other improprieties;
- Oversee the effectiveness of financial reporting systems; and
- Ensure ongoing assessments of the Group's internal control systems over financial, operational, compliance and broad risk management processes.

During the year, three Audit Committee meetings were held and the individual attendance is disclosed earlier in this report. The Audit Committee met and held discussions with the management on the Company's annual financial results for the year ended 31 December 2012, and discussed the audit approach and significant audit and accounting issues with the Group's principal external auditors including the financial impact of the adoption of applicable new/revised accounting standards. The audit committee members also reviewed the audit and non-audit fees of the external auditors; and their ongoing responsibilities to the audit committee and the Group generally.

In view of the various litigation matters disclosed under the section "Management Discussion and Analysis" in this annual report and note 2.1 covering the basis of preparation to the notes to the financial statements, the Directors considered that there were conditions indicating the existence of material uncertainties which cast significant doubt on the Group's ability to continue as a going concern.

DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing financial statements which, to the best of their knowledge, give a true and fair view of the state of affairs of the Company and its subsidiaries.

The statement of the auditors with respect to their reporting responsibilities on the financial statements of the Group is set out in the independent auditors' report on pages 35 to 44 of this Annual Report.

EXTERNAL AUDITORS

The Audit Committee reviewed and confirmed the external auditors' independence and objectivity, together with the scope of audit services and fees in connection therewith. There were no disagreements between the Board and the audit committee's view on the appointment or re-appointment of external auditors, and they both have agreed to recommend the re-appointment of HLB Hodgson Impey Cheng Limited ("HLB") as the Company's external auditors for the ensuing year at the 2014 annual general meeting of the Company.

During the year ended 31 December 2012, the audit fees paid/payable to HLB amounted to HK$2,000,000 and the fees paid/payable to them for non-audit services amounted to approximately HK$50,000. The audit fees paid/payable to other auditors was comprised of audit fees of HK$1,887,000, tax services fees of HK$24,000 and one-off corporate reporting exercises of HK$490,000.

INTERNAL CONTROL ENVIRONMENT

System and Procedures

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained, which include comprehensive systems for reporting information to the division heads of each business unit and the executive directors. The internal control systems are designed to:

- Achieve the Group's business objectives of attaining optimal performance and safeguarding assets against unauthorised use or disposition;
- Ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use and for publication; and
- Ensure compliance with the relevant legislation and regulations.

The Board has strived to ensure that management develops and exercises effective internal control systems and procedures suitable for the various businesses in which the Group is engaged.

Internal Audit

The Internal Audit Department ("IA") independently reviewed the Group's internal control systems and evaluated their adequacy, effectiveness and compliance. The Head of IA worked closely with the Audit Committee on audit matters and presented its findings and responses from management on a regular basis and made recommendations to management for rectifications, as deemed necessary. Reviews of the progress of rectifications were conducted to ensure the effectiveness of the internal control systems.

The annual audit plan, as reviewed by the Audit Committee, was based on a risk assessment process which assists in determining business risks and establishing audit frequencies.

The Audit Committee assessed the effectiveness of the internal control systems by reviewing the work of IA and its findings periodically.

The Board recognises the need to continue to make improvements and/or upgrades thereon in a number of areas. Various initiatives were undertaken during the year to achieve such objectives, including but not limited to the following:

- Besides performing regular audits, IA carried out in-house fieldwork reviews to follow up the improvement implementation status on audit issues identified during previous program exercises. IA reports on findings, recommendations and management responses on the audit areas were circulated to the Audit Committee periodically.

- Meetings were held between the Audit Committee, management and the Head of IA to discuss and review the internal audit process to ensure controls, policies and procedures are in place. The Head of IA reported on the progress of recommendation implementations and highlighted other control issues for rectification. Management recognised the need to address the matters reported and indicated these had already been rectified or that steps were being taken to implement improvements to strengthen internal controls based on IA's recommendations.

ANNUAL ASSESSMENT

The Board together with the Audit Committee reviewed the effectiveness of the Group's systems of internal control over financial, operational, compliance issues, and broad-based risk management processes as well as the adequacy of resources, staff qualifications and experience and budgets for the Company's accounting and financial reporting function and, as a result, believes that the internal controls and accounting systems of the Group were in place and functioning during the year.

No suspected frauds or irregularities, or suspected infringement of laws, rules and regulations came to the Audit Committee's attention. As a result of its review efforts and the initiatives taken, the Board was satisfied that the Group in 2012 complied with the code provisions on internal controls as set forth in the CG Code.

REMUNERATION COMMITTEE

The Remuneration Committee at the date of this report was comprised of two independent non-executive directors and a non-executive director, namely, Mr. Foo Meng Kee *(Chairman)* (appointed on 27 December 2013), Mr. Abraham Shek Lai Him and Mr. Hu Zhong Shan, respectively. Mr. Tsoi Tin Chun, Ms. Maria Tam Wai Chu and Mr. Shane Frederick Weir were members of the Remuneration Committee during the periods from 1 January 2012 to 5 February 2013, from 1 January 2012 to 29 June 2012 and from 29 June 2012 to 30 September 2013 respectively.

The Committee has specific written terms of reference and its primary duties include:

- Ongoing review of the Group's overall remuneration policies and structure;

- Making recommendations to the Board on the administration of fair and transparent procedures for setting policies on the remuneration of directors and senior management;

- Reviewing and approving management's remuneration proposals with reference to the Board's corporate goals and objectives; and

- Reviewing and approving compensation payable to executive directors and senior management for any loss or termination of office.

The remuneration policies of the Group seek to attract, retain and motivate the best available staff as well as to align the interests of executives with achieving shareholder value and promoting sustained improvements in business performance. Remuneration packages include basic salaries, performance bonuses, share options and benefits-in-kind, which are structured by reference to market terms and individual merit, and are reviewed on an annual basis based on objective performance appraisals. No directors or senior management are involved in determining their own remuneration.

The Remuneration Committee did not hold any meetings in 2012 but held a meeting in January 2013. In this meeting, the Committee discussed and reviewed, with the Head of Human Resources, the Group's overall compensation philosophy, the market statistics, the remuneration policies and structure and the human capital issues, as well as the remuneration packages for management and the annual fees to non-executive directors for 2013.

The Remuneration Committee also makes recommendations, as deemed necessary, to the Board on the remuneration packages of individual executive directors. Details of the emoluments of each director of the Company for the year ended 31 December 2012 are set out on page 92 of this Annual Report.

SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules ("Model Code") as the Company's code of conduct regarding director securities transactions and has set up relevant procedures to ensure compliance. Having made specific enquiries of the relevant directors during the year, save as disclosed below, all the relevant directors confirmed that they have complied with the required standards set out in the Model Code throughout the year. Furthermore, the Company also adopted corporate guidelines for securities transactions to regulate employees conduct on securities dealings.

On 30 August 2012, (i) Titan Oil Pte Ltd., Great Logistics Holdings Limited, Titan Shipyard Investment Company Limited and Vision Jade Investments Limited (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 (collectively, the "Transactions"). The Transactions amounted to a "dealing" in the shares of the Company under the Model Code by Mr. Tsoi during the "black-out period" prescribed under Rule A.3(a) of the Model Code. The Board acknowledged that the circumstances prevailing at the time of the Transactions were exceptional. Further details of the Transactions and the Board's view on the Transactions were set out in the announcement of the Company dated 3 October 2012.

COMPANY SECRETARY

The Company engages an external service provider as its company secretary and the Company's primary corporate contact person is Mr. Wong Siu Hung, Patrick, an executive director of the Company.

SHAREHOLDERS' RIGHTS, INVESTOR & SHAREHOLDER RELATIONS

The Group keeps investors, analysts and fund managers updated on key business developments, Company news and milestones through announcements, media releases, direct email alerts and letters to the shareholders.

To foster effective communications with shareholders, the Company's corporate website (www.petrotitan.com) is available in English, traditional and simplified Chinese to cater to different language needs and, through the website, the Company's annual and interim reports, announcements, news and other investor-related information are easily accessible. In addition to responding to phone-in enquiries, the Company has a dedicated email address (investor@petrotitan.com) to handle investor enquiries.

The Board welcomes the views of shareholders on matters affecting the Company and encourages them to attend shareholders' meetings like the Annual General Meeting, to communicate directly with the Board and management in respect of any concerns they may wish to raise.

CORPORATE GOVERNANCE REPORT

In accordance with the Company's Bye-laws, members holding at the date of lodging a requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company shall at all times have the right by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the requisition lodging. If within twenty-one (21) days of such lodging a requisition the Board fails to proceed to convene such meeting the parties making the request may do so in accordance with the provisions of Section 74(3) of the Company Act 1981 of Bermuda.

During the year, there have been no significant changes made to the Company's Memorandum of Association and Bye-laws.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the significant subsidiaries are set out in note 19 to the consolidated financial statements. Save as disclosed below, there were no significant changes in the nature of the Group's principal activities during the year.

During the year, the Group deconsolidated and thereby discontinued its onshore storage segment as set out in note 9 to the financial statements and subsequent to the balance sheet date certain Singapore subsidiaries were put into liquidation, as set out in note 50 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 45 to 46.

The directors do not recommend the payment of any dividends for the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 154. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE PREFERRED SHARES

Details of the movements in the Company's share capital, share options and convertible preferred shares during the year are set out in notes 37, 38 and 32 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2012, the Company did not purchase any guaranteed senior payment-in-kind notes (the "Notes") which are listed on the Singapore Stock Exchange.

There were also no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 39 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2012, the Company did not have reserves available for distribution as calculated in accordance with the provisions of the laws of Bermuda. Under the laws of Bermuda, the Company's share premium account of approximately HK$2,473,241,000 as at 31 December 2012 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 58% of total sales for the year and sales to the largest customer included therein amounted to 28% while purchases from the Group's five largest suppliers accounted for 51% of the total purchases for the year and purchases from the largest supplier included therein amounted to 22%.

Save as disclosed below, none of the Directors nor their associates and none of the shareholders possessing over a 5% interest in the capital of the Company possessed any interests in the above-mentioned suppliers and customers.

Mr. Tsoi Tin Chun, former Chairman of the Board and an executive director (re-designated as non-executive director on 3 July 2012 and resigned on 5 February 2013), owned the entire issued shares in Oceanic Shipping Pte. Ltd., a company incorporated in Singapore, which was one of the five largest suppliers of the Group. The cost of sales derived from this supplier as at 31 December 2012 amounted to 3% of the total cost of sales of the Group.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors
Mr. Zhao Xu Guang (appointed on 3 July 2012)
Mr. Tang Chao Zhang (appointed on 26 March 2013)
Mr. Patrick Wong Siu Hung
Mr. Fu Yong Yuan (appointed on 3 July 2012)
Mr. Tsoi Tin Chun (re-designation as non-executive director on 3 July 2012 and resigned on 5 February 2013)

Non-executive directors
Mr. Fan Qinghua (appointed on 26 March 2013)
Mr. Hu Zhong Shan (appointed on 29 August 2012)

Independent non-executive directors
Mr. John William Crawford
Mr. Abraham Shek Lai Him
Mr. Foo Meng Kee (appointed on 27 December 2013)
Ms. Maria Tam Wai Chu (retired on 29 June 2012)
Mr. Shane Frederick Weir (appointed on 29 June 2012 and retired on 30 September 2013)

The Company has received from each of the independent non-executive directors an annual confirmation of his or her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considers such directors to be independent.

BIOGRAPHICAL DETAILS OF THE DIRECTORS

Biographical details of the directors of the Company are set out on pages 4 to 6 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 10 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 44 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

CONNECTED TRANSACTION

Continuing Connected Transaction

On 1 September 2010, Sino Venus Pte. Ltd ("Sino Venus", a wholly-owned subsidiary of the Company), entered into 5 charter agreements (the "Charter Agreements") with Oceanic Shipping Pte. Ltd. ("Oceanic Shipping", a company wholly-owned by Mr. Tsoi Tin Chun (the former Chairman and director of the Company), a connected person of the Company under the Listing Rules), under which, Sino Venus chartered 5 vessels for a term of three years commencing from 1 September 2010 to 31 August 2013. The total charter fees payable by Sino Venus were subject to annual caps of US$4,089,440, US$12,268,320, US$12,268,320 and US$8,178,880 for the years 2010, 2011, 2012 and 2013, respectively. Sino Venus received a written notice from Oceanic Shipping to terminate 5 Charter Agreements with effect from 1 June 2012 and details were disclosed in the Company's announcements dated 1 September 2010 and 1 June 2012. During the year ended 31 December 2012, US$5,095,000 (approximately HK$39,741,000) was paid by Sino Venus to Oceanic Shipping.

The aforesaid continuing connected transaction were reviewed by the independent non-executive directors of the Company who have confirmed that the transaction had been entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The independent auditors of the Company were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors of the Company issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transaction disclosed above in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Significant related party transactions entered by the Group during the year ended 31 December 2012 are disclosed in note 44 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

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

At 31 December 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: Among these interest, 332,514,799 shares were held by Titan Shipyard Investment Company Limited ("TSICL") and 31,262,759 shares were held by Vision Jade Investments Limited ("Vision Jade"). TSICL and Vision Jade were wholly-owned subsidiaries of Great Logistics Holdings Limited ("Great Logistics") which held 2,860,700,202 shares and which, in turn, was a wholly-owned subsidiary of Titan Oil Pte Ltd ("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, 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 31 December 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.

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 31 December 2012.

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

Name of director	Capacity	Number of underlying shares (options granted)	Approximate % of shareholding
Mr. Patrick Wong Siu Hung	Beneficial owner	20,000,000	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 31 December 2012.

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

Save as disclosed above, at 31 December 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.

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" above and in the share option scheme disclosures in note 38 to the financial statements, at no time during the year 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.

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.

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.

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

At 31 December 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 6)
Ms. Tsoi	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 ("SPHL")	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

REPORT OF THE DIRECTORS

Name	Capacity	Number of shares and underlying shares	Approximate % of shareholding (Note 6)
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
He Xiaoqun	Interest of controlled corporations	45,967,286,141 (Note 5)	587.77%
Liang Wei	Interest of controlled corporations	45,967,286,141 (Note 5)	587.77%
Xia Yingyan	Interest of controlled corporations	45,967,286,141 (Note 5)	587.77%
Hainan Li Jin Investment Company Limited	Interest of controlled corporations	45,967,286,141 (Note 5)	587.77%
Zhuhai Zhenrong Company	Interest of controlled corporations	45,967,286,141 (Note 5)	587.77%
Guangdong Zhenrong Energy Company, Limited	Interest of controlled corporations/ Beneficial owner	45,967,286,141 (Note 5)	587.77%
Fame Dragon	Beneficial owner	3,556,353,661	45.47%

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 and as to 5% by 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 31 December 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.

REPORT OF THE DIRECTORS

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, 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, 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 Saturn Petrochemical Holdings Limited, 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 Holding 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 interest of Grand China Logistics in the Company.

Note 5: Zhuhai Zhen Rong Company (a PRC state-owned enterprise) and Hainan Li Jin Investment Co., Ltd. ("Hainan Li Jin") were interested in 44.3% and 35% respectively in the share capital of Guangdong Zhenrong Energy Co., Ltd. ("GZE"), and were deemed under the SFO to be interested in the shares in which GZE had an interest. Hainn Li Jin was owned as to 34% by Xia Ying Yan, as to 33% by He Xiao Qun and as to 33% by Liang Wei.

The ultimate beneficial owner of Fame Dragon was GZE while the shares of Fame Dragon had been held on trust for GZE by Mr. Fan Qinghua, Mr. Tang Chao Zhang and Mr. Lu Hai as to 40%,30% and 30% respectively. Fame Dragon agreed under four sale and purchase agreements signed with TSICL, Vision Jade, Great Logistics and Titan Oil (collectively, the" Vendors") to acquire in aggregate 3,556,353,661 ordinary shares and the Vendors had given irrevocable proxies to Fame Dragon so that the voting rights of such shares had been transferred to Fame Dragon on 30 August 2012.

Under a subscription agreement entered into between the Company and GZE, GZE agreed to subscribe for, 3,461,093,248 new non-voting participating convertible preferred shares (the Preferred Shares A") and provide an equity line by subscribing 780,000,000 new non-voting participating convertible preferred shares (the "Preferred Shares B"). Consequently, GZE was deemed under the SFO to be interested in aggregate of 45,967,286,141 shares, comprising 3,556,353,661 ordinary shares, 3,461,093,248 preferred shares A and 780,000,000 preferred shares B.

Note 6: Based on 7,820,554,682 ordinary shares of the Company issued as at 31 December 2012.

Save as disclosed above, at 31 December 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CORPORATE GOVERNANCE

A detailed Corporate Governance Report is set out on pages 16 to 24 of the Annual Report.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$6,180.

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, saved as disclosed below, all the relevant directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2012.

REPORT OF THE DIRECTORS

On 30 August 2012, (i) Titan Oil Pte Ltd., Great Logistics Holdings Limited, Titan Shipyard Investment Company Limited and Vision Jade Investments Limited (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 (collectively, the "Transactions"). The Transactions amounted to a "dealing" in the shares of the Company under the Model Code by Mr. Tsoi during the "black-out period" prescribed under Rule A.3(a) of the Model Code. The Board acknowledged that the circumstances prevailing at the time of the Transactions were exceptional. Further details of the Transactions and the Board's view on the Transactions were set out in the announcement of the Company dated 3 October 2012.

Mr. Tsoi resigned as a director of the Company with effect from 5 February 2013.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period of the Group are set out in note 50 to the consolidated financial statements.

AUDIT COMMITTEE

The Company has established an audit committee for the purposes of reviewing and providing oversight on the financial reporting process and internal controls of the Group. The audit committee comprises three independent non-executive directors. The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2012 and discussed the same with the external auditors and is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and other reporting requirements, and that adequate disclosures have been made.

AUDITORS

Ernst & Young retired as auditors of the Company at the annual general meeting held on 30 September 2013 and did not seek for re-appointment as the auditors of the Company. An ordinary resolution to appoint HLB Hodgson Impey Cheng Limited as auditors of the Company was passed by the shareholders of the Company at the special general meeting of the Company held on 1 November 2013.

HLB Hodgson Impey Cheng Limited will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forth coming annual general meeting.

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.

ON BEHALF OF THE BOARD

Zhao Xu Guang
Chairman

Hong Kong
14 February 2014

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
TITAN PETROCHEMICALS GROUP LIMITED
(Incorporated in Bermuda with limited liability)

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We were engaged to audit the consolidated financial statements of Titan Petrochemicals Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 153, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other persons for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. Because of the matters described in the basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

INDEPENDENT AUDITORS' REPORT

BASIS FOR DISCLAIMER OF OPINION

(a) Scope limitation – Subsidiaries operated in Singapore

Included in the consolidated financial statements of the Group is financial information in respect of subsidiaries which operated in Singapore (the "Singapore Subsidiaries"). As disclosed in note 2.1 to the consolidated financial statements, partial books and records of the Singapore Subsidiaries were unable to be located as a consequence of the re-location of their offices and servers, the resignations of key management, operation and accounting personnel and records have been under control of liquidator. Consequently, we were unable to obtain sufficient appropriate audit evidence in respect of the financial information of the Singapore Subsidiaries as set out below which has been included in the consolidated financial statements of the Group for the year ended 31 December 2012:

	HK$'000
Included in the consolidated income statement:	
Revenue	272,744
Finance costs	1,684
Impairment of accounts receivables	6,697
Impairment of prepayments, deposits and other receivables	32,053
Included in the consolidated statement of financial position:	
Accounts payable	322,243
Other payables and accruals	78,820

We were unable to obtain sufficient appropriate audit evidence regarding the above because (i) there was inadequate documentary evidence available for us to verify the identity and nature of the above transactions and balances; (ii) we were unable to carry out any effective confirmation procedures for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to carry out any substantive procedures in relation to the above transactions and balances; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above transactions and balances were free from material misstatement. Consequently, we were unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence of any other significant transactions, inter-group transactions, contingent liabilities, commitments, related party transactions and subsequent events relating to the Singapore Subsidiaries and the Group. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's net liabilities as at 31 December 2012 and the loss and cash flows of the Group for the year ended 31 December 2012 and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant non-adjusting subsequent events relating to the Singapore Subsidiaries.

BASIS FOR DISCLAIMER OF OPINION (Continued)

(b) Scope limitation – Prepayments, deposits and other receivables

Included in the prepayments, deposits and other receivables in the consolidated statement of financial position of the Group as at 31 December 2012 were other receivables of approximately HK$10,284,000 ("Other Receivables"). We were unable to obtain sufficient appropriate audit evidence regarding the Other Receivables because (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Other Receivables; (ii) we were unable to carry out any effective confirmation procedures in relation to the Other Receivables for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the Other Receivables were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Other Receivables were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balances of the Group's other receivables, the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

(c) Scope limitation – Assets and liabilities of a disposal group classified as held for sale

(1) Scope limitation – Impairment of goodwill of a disposal group classified as held for sale

As disclosed in note 5 to the consolidated financial statements, included in the loss for the year from discontinued operations for the year ended 31 December 2012 was the impairment of goodwill of approximately HK$570,618,000 in relation to subsidiaries engaged in the ship building business. The directors are of the opinion that the carrying amount of the goodwill in the consolidated statement of financial position exceeded its recoverable amount, and therefore, based on a valuation report and cash flow forecast of the ship building business as at the end of the reporting period, an impairment loss on goodwill of approximately HK$570,618,000 was made. However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the reasonableness of the bases and assumptions used in arriving at the discounted cash flow forecast performed as at the end of the reporting period and therefore, as to whether the carrying amount and impairment loss on goodwill for the year ended 31 December 2012 are fairly stated. Any adjustment to the carrying amount and the impairment loss on goodwill for the year ended 31 December 2012 would have a consequential impact on the loss from discontinued operations for the year ended 31 December 2012, the balances of the Group's assets of a disposal group classified as held for sale, the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

BASIS FOR DISCLAIMER OF OPINION (Continued)

(c) Scope limitation – Assets and liabilities of a disposal group classified as held for sale (Continued)

(2) Scope limitation – Impairment of property, plant and equipment and prepaid land/seabed lease payments of a disposal group classified as held for sale

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position as at 31 December 2012 was the property, plant and equipment and prepaid land/seabed lease payments of a disposal group classified as held for sale (the "Property, Plant and Equipment and Prepaid Lease Payments") with net carrying amounts of approximately HK$2,020,624,000 and HK$306,019,000 respectively and related deferred tax liabilities of approximately HK$58,658,000. The directors are of the opinion that the carrying amounts of the Property, Plant and Equipment and Prepaid Lease Payments in the consolidated statement of financial position exceeded their recoverable amounts and therefore, impairment losses on the Property, Plant and Equipment and Prepaid Lease Payments of approximately HK$1,100,912,000 was made during the year ended 31 December 2012. Fair values less costs to sell were determined by the cost approach and the sales comparison approach and were used to determine the recoverable amounts of the Property, Plant and Equipment and Prepaid Lease Payments with reference to valuation reports. However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the reasonableness of the bases and assumptions used in arriving at the recoverable amounts of the Property, Plant and Equipment and Prepaid Lease Payments as at the end of the reporting period and therefore, as to whether the carrying amounts and the impairment losses on the Property, Plant and Equipment and Prepaid Lease Payments for the year ended 31 December 2012 are fairly stated. Any adjustment to the carrying amounts and impairment losses on the Property, Plant and Equipment and Prepaid Lease Payments for the year ended 31 December 2012 would have a consequential impact on the loss from discontinued operations for the year ended 31 December 2012, the balances of the Group's assets and liabilities of a disposal group classified as held for sale, the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

(3) Scope limitation – Prepayments, deposits and other receivables of a disposal group classified as held for sale

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2012 were prepayments, deposits and other receivables in respect of Titan Quanzhou Shipyard Company Limited ("QZ Shipyard"), which is the disposal group classified as held for sale, of approximately HK$51,625,000 and included in the consolidated income statement was impairment of the prepayments, deposits and other receivables of QZ Shipyard of approximately HK$107,013,000 ("Prepayments, Deposits and Other Receivables of the QZ Shipyard"). We were unable to obtain sufficient appropriate audit evidence regarding the Prepayments, Deposits and Other Receivables of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Prepayments, Deposits and Other Receivables of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to the Prepayments, Deposits and Other Receivables of the QZ Shipyard for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the Prepayments, Deposits and Other Receivables of the QZ Shipyard were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Prepayments, Deposits and Other Receivables of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets of a disposal group classified as held for sale, the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION (Continued)

(c) Scope limitation – Assets and liabilities of a disposal group classified as held for sale (Continued)

(4) Scope limitation – Accounts and bills payables of a disposal group classified as held for sale

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2012 were accounts and bills payables of the QZ Shipyard of approximately HK$88,335,000 owned to suppliers of the QZ Shipyard (the "Accounts and Bills Payables of the QZ Shipyard"). We were unable to obtain sufficient appropriate audit evidence regarding the Accounts and Bills Payables of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Accounts and Bills Payable of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to Accounts and Bills Payables of the QZ Shipyard for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Accounts and Bills Payables of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balance of the Group's liabilities directly associated with the assets classified as held for sale, the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

(5) Scope limitation – Other payables and accruals of a disposal group classified as held for sale

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2012 were other payables and accruals of the QZ Shipyard of approximately HK$313,546,000 (the "Other Payables and Accruals of the QZ Shipyard"). We were unable to obtain sufficient appropriate audit evidence regarding the Other Payables and Accruals of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Other Payables and Accruals of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to the Other Payables and Accruals of the QZ Shipyard for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Other Payables and Accruals of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balance of the Group's liabilities directly associated with the assets classified as held for sale, the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION (Continued)

(d) Scope limitation – Interests in associates

As disclosed in note 5 to the consolidated financial statements was the Group's share of profits of associates of approximately HK$8,538,000 for the year ended 31 December 2012 and as disclosed in note 9 to the consolidated financial statements, the interests in associates of approximately HK$313,553,000 was included in the net assets of a jointly-controlled entity deconsolidated during the year ended 31 December 2012. We were unable to obtain sufficient appropriate audit evidence regarding the interests in associates and share of profits of associates because (i) we were unable to access the financial information of the associates and therefore, there was no documentary evidence available for us to carry out any procedures in relation to the interests in associates and share of profits of associates for the purpose of our audit; and (ii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the interests in associates and share of profits of associates were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the loss from discontinued operations of the Group for the year ended 31 December 2012, the Group's net liabilities as at 31 December 2012, and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

(e) Scope limitation – Amounts due from/to holding companies of a deconsolidated jointly-controlled entity

Included in the balances of other payables and accruals in the consolidated statement of financial position as at 31 December 2012 was amount due to a deconsolidated jointly-controlled entity of approximately HK$175,867,000 ("Amounts with the Jointly-Controlled Entity"). As disclosed in note 9 to the consolidated financial statements, included in the net assets of the jointly-controlled entity deconsolidated during the year ended 31 December 2012 were amounts due from holding companies of approximately HK$171,454,000, amounts due to holding companies of approximately HK$164,249,000 and impairment on amount due from the deconsolidated jointly-controlled entity of approximately HK$161,412,000 (the "Amounts with Holding Companies"). We were unable to obtain sufficient appropriate audit evidence regarding the Amounts with the Jointly-Controlled Entity and the Amounts with Holding Companies because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Amounts with the Jointly-Controlled Entity and the Amounts with Holding Companies; (ii) we were unable to carry out any effective confirmation procedures in relation to the Amounts with the Jointly-Controlled Entity and the Amounts with Holding Companies for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Amounts with the Jointly-Controlled Entity and the Amounts with Holding Companies were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balances of the Group's other payables and accruals as at 31 December 2012, the loss from discontinued operations of the Group for the year ended 31 December 2012, the Group's net liabilities at as 31 December 2012, and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION (Continued)

(f) Scope limitation – Financial guarantee contracts and commitments

Included in the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 31 December 2012 were financial guarantee contracts of approximately HK$2,361,000 and HK$102,117,000 respectively, which represented financial guarantee contracts issued by the Group. As disclosed in note 41 to the consolidated financial statements were commitments committed by the Group. We are unable to obtain sufficient appropriate audit evidence regarding the financial guarantee contracts and commitments committed by the Group because (i) there was inadequate documentary evidence for us to verify whether all financial guarantee contracts and commitments committed by the Group were included in the consolidated financial statements of the Group and the financial statements of the Company as at 31 December 2011 and 2012; (ii) there was inadequate documentary evidence for us to satisfy ourselves the measurements of the financial guarantee contracts and commitments for the years ended 31 December 2011 and 2012 were appropriate; (iii) we were unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence of any other significant financial guarantee contracts and commitments committed by the Company and the Group; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above transactions were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's and the Company's net assets and net liabilities at 31 December 2011 and 2012 respectively, the Company's interests in subsidiaries and consequently net loss and cash flows of the Group and the Company for the years ended 31 December 2011 and 2012, and the related disclosures thereof in the consolidated financial statements.

(g) Scope limitation – Events after the reporting period

In light of the matters above, we were unable to obtain sufficient appropriate audit evidence regarding the events after the reporting period because there was inadequate documentary evidence available for us to verify the occurrence, accuracy and completeness of the significant transactions or events which may have occurred between the period from 1 January 2013 to the date of this auditors' report as required under the Hong Kong Standard on Auditing 560 "Subsequent Events" issued by the HKICPA. There were no practical alternative procedures that we could perform over the significant transactions which occurred during the period from 1 January 2013 to the date of this auditors' report.

Any adjustments that might have been found necessary may have an effect on the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

(h) Scope limitation – Related party transactions

In light of the matters above, we were unable to obtain sufficient appropriate audit evidence regarding the related party transactions disclosures because there was inadequate documentary evidence available for us to verify the occurrence, accuracy and completeness of the related party transactions which may have occurred during the year ended 31 December 2012 as required under the Hong Kong Standard on Auditing 550 "Related Parties" issued by the HKICPA. There were no practical alternative procedures that we could perform over the related party transactions which occurred during the year ended 31 December 2012.

Any adjustments that might have been found necessary may have an effect on the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

BASIS FOR DISCLAIMER OF OPINION (Continued)

(i) Scope limitation – Opening balances and corresponding figures

In light of the matters above, there was inadequate documentary evidence available for us to verify the opening balances and corresponding figures for the year ended 31 December 2011 in accordance with Hong Kong Standard on Auditing 510 "Initial Audit Engagements – Opening Balances" issued by the HKICPA. In addition, the auditors' report dated 11 May 2012 issued by the previous auditors in respect of their audit of the consolidated financial statements of the Group for the year ended 31 December 2011 was disclaimed in view as a result of scope limitation based on reasons summarised in the basis for disclaimer of opinion paragraphs therein.

As a result of the above, we were unable to obtain sufficient appropriate audit evidence regarding the opening balances and corresponding figures and there were no alternative audit procedures to satisfy ourselves as to whether the opening balances and corresponding figures were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets and liabilities as at 31 December 2011 and 2012 and its results for the years ended 31 December 2011 and 2012, and the presentation and disclosure thereof in the consolidated financial statements.

Any adjustments or additional disclosures found to be necessary in respect of the above matters, including any related tax impact, will have a consequential significant effect on the financial position of the Company and the Group as at 31 December 2012 and 2011 and the financial performance and cash flows of the Group for the years then ended, and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant subsequent events related to the Company and the Group.

(j) Material uncertainties relating to the going concern basis

As disclosed in note 2.1 to the consolidated financial statements, the Group incurred a loss attributable to the owners of the Company of approximately HK$3,977,144,000 for the year ended 31 December 2012 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$3,167,957,000 and its total liabilities exceeded its total assets by approximately HK$3,138,573,000.

As disclosed in notes 27, 29, 30, 31 and 32 to the consolidated financial statements, the Group was in default on repayments of secured interest-bearing bank loans of approximately HK$351,797,000, fixed rate guaranteed senior notes of approximately HK$891,871,000, guaranteed senior convertible notes of approximately HK$453,971,000, guaranteed senior payment-in-kind notes of approximately HK$92,236,000 and convertible preferred shares of approximately HK$391,502,000.

BASIS FOR DISCLAIMER OF OPINION (Continued)

(j) Material uncertainties relating to the going concern basis (Continued)

As disclosed in note 43 to the consolidated financial statements, the Group was involved in several legal proceedings. One of the legal proceedings is in respect of KTL Camden Inc. ("KTL") has claimed that a subsidiary of the Company failed to pay certain hiring charges pursuant to a bareboat charter party contract and that the Company was liable to KTL for such hiring charges plus interest thereon in the sum of approximately USD6,853,032 pursuant to a deed of guarantee issued by the Company in favour of KTL. On 23 July 2013, the Supreme Court of Bermuda (the "Bermuda Court") allowed KTL to be substituted as the petitioner in place of Saturn Petrochemical Holdings Limited ("SPHL") and on 6 August 2013, KTL also made an application for the appointment of provisional liquidators in the Company. On 18 October 2013, the Bermuda Court ordered the appointment of the joint provisional liquidators of the Company. On 12 December 2013, the Company made an application to the Bermuda Court for the discharge of the joint provisional liquidators appointed to the Company (the "Discharge Application"). On 13 December 2013, the Bermuda Court ordered that the Camden Petition and the Discharge application be adjourned to 31 January 2014. A further hearing before the Bermuda Court took place on 31 January 2014 (Bermuda time) and the Camden Petition and Discharge Application further adjourned to 14 February 2014 (Bermuda time).

These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favourable outcomes of the steps being taken by the directors of the Company as described in note 2.1 to the consolidated financial statements. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation and classification of non-current assets that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets. In the absence of sufficient documentary evidence, we were unable to ascertain whether the assumptions made by the directors of the Company in the preparation of the consolidated financial statements on a going concern basis were fair and reasonable and, accordingly, we were unable to satisfy ourselves that the use of the going concern assumption was appropriate. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the appropriateness of the use of the going concern assumption, which might have a consequential significant effect on the Group's and the Company's net liabilities as at 31 December 2012 and the loss of the Group for the year then ended, and the related disclosures thereof in the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

REPORT ON MATTERS UNDER SECTIONS 141(4) AND 141(6) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding item (a) to (j) above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

- we were unable to determine whether proper books of account had been kept.

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 December 2011 were audited by previous auditors who expressed a disclaimer of opinion on those statements on 11 May 2012 as a result of uncertainties relating to going concern and uncertainty relating to the carrying amount of a disposal group classified as held for sale.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 14 February 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	6	1,272,127	1,915,886
Cost of sales		(1,395,162)	(2,207,152)
Gross loss		(123,035)	(291,266)
Other revenue		61,310	51,287
Change in fair values of derivative financial instruments not qualifying as hedges		157,763	103,682
General and administrative expenses		(330,369)	(144,773)
Finance costs	8	(247,846)	(199,445)
Share of losses of associates		–	(99)
Loss before tax from continuing operations	7	(482,177)	(480,614)
Income tax credit/(expense)	12	7,854	(5,716)
Loss for the year from continuing operations		(474,323)	(486,330)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	5	(3,502,821)	(297,002)
LOSS FOR THE YEAR		(3,977,144)	(783,332)
Attributable to:			
Owners of the Company		(3,977,144)	(783,332)
Non-controlling interests		–	–
		(3,977,144)	(783,332)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	14		
From continuing and discontinued operations			
Basic per share		(HK50.86 cents)	(HK10.05 cents)
Dilute per share		(HK50.86 cents)	(HK10.05 cents)
From continuing operations			
Basic per share		(HK6.07 cents)	(HK6.24 cents)
Dilute per share		(HK6.07 cents)	(HK6.24 cents)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Loss for the year		**(3,977,144)**	(783,332)
Other comprehensive (loss)/income:			
Exchange differences on translation of foreign operations		**(30,473)**	161,931
Other comprehensive (loss)/income for the year, net of tax		**(30,473)**	161,931
Total comprehensive loss for the year, net of tax		**(4,007,617)**	(621,401)
Attributable to:			
Owners of the Company	39(a)	**(4,007,617)**	(621,401)
Non-controlling interests		**–**	–
		(4,007,617)	(621,401)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**5,023**	2,960,620
Prepaid land/seabed lease payments	16	**24,361**	435,137
Licenses	17	**–**	21,133
Goodwill	18	**–**	434,571
Interests in associates	20	**–**	324,768
Deposits for construction in progress		**–**	8,273
Total non-current assets		**29,384**	4,184,502
CURRENT ASSETS			
Bunker oil		**–**	36,846
Inventories	22	**43,789**	2,891
Accounts receivable	23	**1,837**	83,501
Prepayments, deposits and other receivables	23	**247,089**	170,724
Amount due from a jointly-controlled entity		**–**	25,184
Pledged deposits and restricted cash	26	**604,489**	1,124,918
Cash and cash equivalents	26	**122,560**	159,782
		1,019,764	1,603,846
Assets of a disposal group classified as held for sale	5	**2,423,163**	4,834,243
Total current assets		**3,442,927**	6,438,089
CURRENT LIABILITIES			
Interest-bearing bank loans	27	**184,706**	1,609,849
Accounts payable	28	**402,475**	469,839
Other payables and accruals	28	**1,236,530**	1,321,970
Amount due to a jointly-controlled entity		**–**	12,303
Fixed rate guaranteed senior notes	29	**891,871**	844,690
Guaranteed senior convertible notes	30	**453,971**	–
Guaranteed senior payment-in-kind notes	31	**92,236**	–
Liability portion of convertible preferred shares	32	**391,502**	363,176
Notes payable	33	**45,950**	197,464
Tax payable		**1,480**	18,458
Loan from a shareholder	34	**9,700**	–
		3,710,421	4,837,749
Liabilities directly associated with the assets classified as held for sale	5	**2,900,463**	2,843,577
Total current liabilities		**6,610,884**	7,681,326
NET CURRENT LIABILITIES		**(3,167,957)**	(1,243,237)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(3,138,573)**	2,941,265

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	27	–	889,688
Guaranteed senior convertible notes	30	–	328,215
Guaranteed senior payment-in-kind notes	31	–	84,483
Liability portion of convertible preferred shares	32	–	398,932
Liability portion of convertible unsecured notes	35	–	92,901
Deferred tax liabilities	36	–	40,455
Total non-current liabilities		–	1,834,674
Net (liabilities)/assets		**(3,138,573)**	1,106,591
(DEFICIENCY IN ASSETS)/EQUITY			
(Deficiency)/Equity attributable to owners of the Company			
Share capital	37	**78,206**	78,206
Equity portion of convertible preferred shares	32	–	75,559
(Deficits)/reserves	39(a)	**(3,216,779)**	390,728
		(3,138,573)	544,493
Equity portion of convertible unsecured notes in a jointly-controlled entity	35	–	85,015
Contingently redeemable equity in a jointly-controlled entity	32	–	477,083
(Deficiency in assets)/total equity		**(3,138,573)**	1,106,591

The consolidated financial statements were approved and authorised for issue by the board of directors on 14 February 2014 and signed on its behalf by:

Patrick Wong Siu Hung
Director

Tang Chao Zhang
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Notes	Attributable to owners of the Company: Share capital (note 37) HK$'000	Convertible preferred shares (note 32) HK$'000	Reserves (note 39(a)) HK$'000	Sub-total HK$'000	Equity portion of convertible unsecured notes in a jointly-controlled entity HK$'000	Contingently redeemable equity in a jointly-controlled entity HK$'000	Total (deficiency in assets)/ equity HK$'000
At 1 January 2012		**78,206**	**75,559**	**390,728**	**544,493**	**85,015**	**477,083**	**1,106,591**
Loss for the year		**–**	**–**	**(3,977,144)**	**(3,977,144)**	**–**	**–**	**(3,977,144)**
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations		**–**	**–**	**(30,473)**	**(30,473)**	**–**	**–**	**(30,473)**
Total comprehensive loss for the year		**–**	**–**	**(4,007,617)**	**(4,007,617)**	**–**	**–**	**(4,007,617)**
Share option expenses		**–**	**–**	**1,069**	**1,069**	**–**	**–**	**1,069**
Realised on deemed disposals of partial interest in a jointly-controlled entity	21	**–**	**–**	**(4)**	**(4)**	**(618)**	**(3,470)**	**(4,092)**
Transfer of equity portion of convertible preferred shares and convertible unsecured notes upon redemption		**–**	**–**	**558,010**	**558,010**	**(84,397)**	**(473,613)**	**–**
Released upon deconsolidation of a jointly-controlled entity	9	**–**	**–**	**(234,524)**	**(234,524)**	**–**	**–**	**(234,524)**
Transfer to accumulated losses upon redemption of Titan preferred shares	32	**–**	**(75,559)**	**75,559**	**–**	**–**	**–**	**–**
At 31 December 2012		**78,206**	**–**	**(3,216,779)**	**(3,138,573)**	**–**	**–**	**(3,138,573)**
At 1 January 2011		77,667	75,559	980,062	1,133,288	92,277	517,837	1,743,402
Loss for the year		–	–	(783,332)	(783,332)	–	–	(783,332)
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations		–	–	161,931	161,931	–	–	161,931
Total comprehensive loss for the year		–	–	(621,401)	(621,401)	–	–	(621,401)
Equity-settled share option arrangements		–	–	2,470	2,470	–	–	2,470
Exercise of share options	38	103	–	4,488	4,591	–	–	4,591
Conversion of guaranteed senior convertible notes	30	436	–	29,912	30,348	–	–	30,348
Realised on deemed disposals of partial interest in a jointly-controlled entity	21	–	–	(4,803)	(4,803)	(7,262)	(40,754)	(52,819)
At 31 December 2011		78,206	75,559	390,728	544,493	85,015	477,083	1,106,591

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax from:			
Continuing operations		**(482,177)**	(480,614)
Discontinued operations	5	**(3,556,131)**	(296,426)
Adjustments for:			
Losses on repurchases of guaranteed senior payment-in-kind notes	31	**–**	214
Depreciation		**144,642**	205,266
Amortisation of prepaid land/seabed lease payments		**49,046**	3,571
Amortisation of licenses	17	**1,749**	11,250
Impairment of items of property, plant and equipment	15	**977,452**	–
Impairment of prepaid land/seabed lease payments	16	**165,619**	–
Loss on disposal/write off of items of property, plant and equipment		**354,455**	104
Impairment/(reversal of impairment) of accounts receivable	23	**7,166**	(668)
Gain on deemed disposals of partial interest in a jointly-controlled entity	21	**(1,788)**	(7,559)
Impairment of prepayments, deposits and other receivables		**146,350**	–
Impairment of licenses	17	**19,384**	–
Impairment of goodwill		**587,186**	–
Loss on early redemption of convertible bonds and preferred shares		**1,166,922**	–
Gain on deconsolidation of a jointly-controlled entity		**(182,293)**	–
Share of profits of associates, net		**(8,538)**	(22,778)
Write down of inventories to net realisable value		**15,033**	71,797
Change in fair value of derivative financial instruments not qualifying as hedges		**(157,763)**	(103,682)
Interest income		**(20,612)**	(27,885)
Finance costs	8	**423,229**	347,947
Equity-settled share option expenses	39(a)	**1,069**	2,470
		(350,000)	(296,993)
Decrease in bunker oil		**36,846**	11,350
Decrease/(increase) in inventories		**32,201**	(59,301)
Decrease in accounts receivable		**143,857**	185,357
Decrease in prepayments, deposits and other receivables		**78,520**	288,337
Decrease/(increase) in contracts in progress		**203,876**	(156,408)
(Decrease)/increase in accounts and bills payable		**(71,463)**	301,282
Increase/(decrease) in other payables and accruals		**78,297**	(267,614)
Increase in balances with a jointly-controlled entity		**–**	(12,881)
Cash generated from/(used in) operations		**152,134**	(6,871)
Interest received		**20,813**	27,784
Interest paid		**(166,807)**	(179,720)
Overseas profits tax paid		**(11,747)**	(1,418)
Net cash flows used in operating activities		**(5,607)**	(160,225)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in pledged and time deposits		**509,235**	(855,921)
Additions to property, plant and equipment		**(112,071)**	(723,824)
Additions to prepaid land/seabed lease payments	16	**(25,638)**	–
Deposits paid for construction in progress		**(209)**	(6,436)
Interest capitalised	8	**(100,931)**	(165,966)
Proceeds from disposals of property, plant and equipment		**–**	23,485
Net proceeds from disposals of vessels		**–**	31,200
Acquisition of a jointly-controlled entity		**–**	(120,364)
Dividends received from associates		**15,856**	7,361
Net cash outflow arising on deconsolidation of a jointly-controlled entity	9	**(35,386)**	–
Partial consideration received from disposal of shipyard		**–**	916,050
Net cash flows from/(used in) investing activities		**250,856**	(894,415)
CASH FLOWS FROM FINANCING ACTIVITIES			
Inception of new bank loans		**481,512**	1,995,197
Inception of a loan from a shareholder		**9,700**	–
Repayments of bank loans		**(833,910)**	(978,888)
Proceeds from exercise of share options		**–**	4,591
Repurchases of guaranteed senior payment-in-kind notes	31	**–**	(8,112)
Decrease/(increase) in restricted cash		**38**	(16)
Net cash flows (used in)/from financing activities		**(342,660)**	1,012,772
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(97,411)**	(41,868)
Cash and cash equivalents at beginning of year		**221,408**	252,573
Effect of foreign exchange rate changes, net		**(230)**	10,703
CASH AND CASH EQUIVALENTS AT END OF YEAR		**123,767**	221,408

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**122,560**	159,782
Cash and bank balances attributable to discontinued operations	5	**1,207**	61,626
Cash and cash equivalents as stated in the consolidated statement of cash flows		**123,767**	221,408
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents per consolidated statement of cash flows		**123,767**	221,408
Cash and bank balances attributable to discontinued operations	5	**(1,207)**	(61,626)
Cash and cash equivalents as stated in the consolidated statement of financial position		**122,560**	159,782

STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	**31 December 2012 HK$'000**	31 December 2011 HK$'000 (Restated)	1 January 2011 HK$'000 (Restated)
NON-CURRENT ASSET				
Interests in subsidiaries	19	**–**	3,673,016	5,219,491
CURRENT ASSETS				
Amounts due from subsidiaries	19	**–**	–	93,600
Prepayments, deposits and other receivables		**345**	2,935	624
Cash and cash equivalents	26	**264**	847	2,262
Total current assets		**609**	3,782	96,486
CURRENT LIABILITIES				
Amounts due to subsidiaries	19	**9,016**	–	53,857
Other payables and accruals	28	**1,051,133**	918,418	27,716
Financial guarantee contracts	25	**102,117**	50,404	64,449
Fixed rate guaranteed senior notes	29	**891,871**	844,690	–
Guaranteed senior convertible notes	30	**453,971**	–	–
Guaranteed senior payment-in-kind notes	31	**92,236**	–	–
Liability portion of convertible preferred shares	32	**391,502**	363,176	–
Total current liabilities		**2,991,846**	2,176,688	146,022
NET CURRENT LIABILITIES		**(2,991,237)**	(2,172,906)	(49,536)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(2,991,237)**	1,500,110	5,169,955
NON-CURRENT LIABILITIES				
Fixed rate guaranteed senior notes	29	**–**	–	840,333
Guaranteed senior convertible notes	30	**–**	328,215	408,734
Guaranteed senior payment-in-kind notes	31	**–**	84,483	84,360
Liability portion of convertible preferred shares	32	**–**	–	325,321
Amounts due to subsidiaries	19	**–**	–	1,815,278
Total non-current liabilities		**–**	412,698	3,474,026
Net (liabilities)/assets		**(2,991,237)**	1,087,412	1,695,929
(DEFICIENCY IN ASSETS)/EQUITY				
Share capital	37	**78,206**	78,206	77,667
Equity portion of convertible preferred shares	32	**–**	75,559	75,559
(Deficits)/reserves	39(b)	**(3,069,443)**	933,647	1,542,703
(Deficiency in assets)/total equity		**(2,991,237)**	1,087,412	1,695,929

The financial statements were approved and authorised for issue by the board of directors on 14 February 2014 and signed on its behalf by:

Patrick Wong Siu Hung	**Tang Chao Zhang**
Director	*Director*

The accompanying notes form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

1. CORPORATE INFORMATION

Titan Petrochemicals Group Limited (the "Company") was incorporated in Bermuda on 24 April 1998 as an exempted company with limited liability under the Bermuda Companies Act 1981 (the "Act").

The registered office of the Company was located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company was located at Suite 4902, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively the "Group") were involved in the following principal activities:

(i) provision of logistic services, including offshore storage and onshore storage and oil transportation;

(ii) supply of oil products and provision of bunker refueling services; and

(iii) shipbuilding (including ship repairing).

The Group discontinued its shipbuilding and building of ship repair facilities operations in 2010 as detailed in note 5 and deconsolidated Titan Group Investment Limited ("TGIL"), a jointly-controlled entity, and its subsidiaries, associates and a jointly-controlled entity, (collectively, the "TGIL Group") due to the loss of joint control over the TGIL Group upon occurrence of the external restrictions and events during the year as detailed in note 2.

During the year, the immediate holding company, the parent and the ultimate holding company were changed from Great Logistics Holdings Limited ("Great Logistics", incorporated in Singapore) and Titan Oil Pte Ltd ("Titan Oil", incorporated in Singapore) to Fame Dragon International Investment Limited ("Fame Dragon" incorporated in Hong Kong) and Guangdong Zhenrong Energy Co., Ltd ("GZE", incorporated in the People's Republic of China (the "Mainland China" or the "PRC")) respectively.

2.1 BASIS OF PREPARATION

These financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). They have been prepared under the historical cost convention, except for financial instruments, which have been measured at fair value. All the assets and liabilities as at 31 December 2012 included in the disposal group classified as held for sale, representing the shipbuilding operations, were stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.6. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (Continued)

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 severs, together with the resignations 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 year ended 31 December 2012.

Going concern basis

During the year ended 31 December 2012, the Group incurred losses of HK$3,977,144,000 and, as of that date, the Group had net current liabilities and net liabilities of HK$3,167,957,000 and HK$3,138,573,000, 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 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 43(b).

ii) British Virgin Islands ("BVI") proceedings

On 18 June 2012, the Company received from Saturn Storage Limited ("SSL") two notices to exercise its redemption rights under 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 Group, further details of which are set out in notes 2.2 and 43(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

2.1 BASIS OF PREPARATION (Continued)

Going concern basis (Continued)

b) *Debt restructuring*

The directors have adopted the going concern basis in the preparation of the consolidated financial statements and have implemented measures 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 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 notes 50(b) and 50(d).

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 statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the dates of acquisition, being the dates on which the Group obtains control, and continue to be consolidated until the dates that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

The total comprehensive loss within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits/accumulated losses, as appropriate.

2.2 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 year. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

2.3 RESTATEMENTS OF PRIOR YEAR FIGURES

In preparing the Company's financial statements for the year ended 31 December 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.

A summary of the effects of the correction of the above prior year retrospective restatement 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
Interests in subsidiaries	5,163,591	55,900	5,219,491
Financial guarantee contracts	8,549	55,900	64,449

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time in the current year financial statements.

HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*
HKFRS 1 Amendments	Amendments 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 impacts on these consolidated financial statements.

2.5 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
HKFRS 1 Amendments	Government Loans[2]
HKFRS 7 Amendments	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 10, HKFRS 12 and HKAS 27 Amendments	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 Amendments	Presentation of Items of Other Comprehensive Income[1]
HKAS 32 Amendments	Presentation – Offsetting Financial Assets and Financial Liabilities[3]
HKAS 36 Amendments	Recoverable Amount Disclosures for Non-Financial Assets[3]
HKAS 39 Amendments	Novation of Derivatives and Continuation of Hedge Accounting[3]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]
HK(IFRIC) – Int 21	Levies[3]

1 Effective for annual periods beginning on or after 1 July 2012.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2014.
4 Effective for annual periods beginning on or after 1 January 2015.

The Group is in the process of making an assessment of the impact on these amendments upon initial application, but is not yet in a position to state whether these amendments would have significant impact on its results of operations and financial position.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have interests.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from joint venture operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture; or

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in its jointly-controlled entities are accounted for by the proportionate consolidation method, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the financial statements on a line-by-line basis. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates and is not individually tested for impairment.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value which changes in fair value are either recognised in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to part of a cash-generating unit (group of cash-generating units) and a part of the operations within that unit is disposed of, the goodwill associated with the operations disposed of is included in the carrying amount of the operations when determining the gain or loss on disposal of the operations. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operations and the portion of the cash-generating unit retained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset, other than goodwill, is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Buildings	20 to 45 years
Machinery	5 to 20 years
Leasehold improvements	The shorter of the lease terms and 6 years
Vessels	The shorter of the remaining age and 30 years
Storage facilities	20 to 50 years
Furniture, equipment and motor vehicles	5 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Costs incurred for dry-docking of vessels are included in costs of vessels. They are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs are incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

Residual values, useful lives and the depreciation method are reviewed and adjusted, if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents shipyard, ship repair, oil berthing and storage facilities under construction, is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the assets or a disposal group must be available for immediate sale in their present condition subject only to terms that are usual and customary for the sale of such assets or a disposal group and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as held for sale are not depreciated or amortised.

Discontinued operations

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line of business or is part of a single co-ordinated plan to dispose of a separate major line of business.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

Licenses

Licenses represent the rights acquired to undertake floating storage operations. They are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 20 years, and assessed for impairment whenever there is an indication that the licenses may be impaired. The amortisation period and the amortisation method for the licenses with a finite useful life are reviewed at least at each financial year end.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land/seabed lease payments under operating leases are initially stated at cost or valuation and subsequently amortised on the straight-line basis over the remaining lease terms.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, accounts and other receivables, amount due from a jointly-controlled entity, contracts in progress, deposits and derivatives financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowances for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the other revenue/expenses in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include accounts and other payables, amount due to a jointly-controlled entity, interest-bearing bank loans, loan from a shareholder, fixed rate guaranteed senior notes (the "Senior Notes Due 2012"), guaranteed senior convertible notes (the "Convertible Notes Due 2015"), guaranteed senior payment-in-kind notes (the "PIK Notes Due 2015"), notes payable (the "K-Line Notes Due 2013"), TGIL Notes Due 2014, convertible preferred shares, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss includes financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

(b) Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement (Continued)

(c) Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transactions costs. For financial instrument where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, and a discounted cash flow analysis.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently premeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments (Continued)

Initial recognition and subsequent measurement (Continued)

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedge of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current or non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Convertible preferred shares and TGIL Notes Due 2014

The components of convertible preferred shares and the TGIL notes Due 2014 that exhibit characteristics of a liability are recognised as liabilities in the statement of financial position, net of transaction costs. On issuance of the convertible preferred shares and the TGIL Notes Due 2014, the fair value of the liability portion is determined by using a market rate for an equivalent non-convertible share/note to discount future expected cash flows; and this amount is carried as a non-current financial liability on the amortised cost basis until extinguished on conversion or redemption.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Convertible preferred shares and TGIL Notes Due 2014 (Continued)

The component of the TGIL Notes Due 2014 that exhibit characteristics of an embedded derivative is recognised as part of the TGIL Notes Due 2014. On initial recognition, the derivative component of the TGIL Notes Due 2014 is measured at fair value and presented as a part of derivative financial instruments.

The remainder of the proceeds is allocated to the equity component of the convertible preferred shares and the TGIL Notes Due 2014 is recognised and included in the equity portion of convertible unsecured notes in a jointly-controlled entity. The carrying amount of the conversion option is not remeasured in subsequent years. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

The transaction costs are apportioned between the liability, derivative and equity components of the convertible preferred shares and the TGIL Notes Due 2014 based on the allocation of proceeds to the liability, derivative and equity components when the instruments were first recognised.

Convertible Notes Due 2015 and K Line Notes Due 2013

If the conversion option of notes exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the notes is measured at fair value and presented as part of the notes. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the notes based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability and the portion relating to the derivative component is recognised immediately in the income statement.

Bunker oil, ship stores and spare parts

Bunker oil is stated at cost less any provisions considered necessary by the directors. Cost is determined on the weighted average cost basis.

Ship stores and spare parts are charged as operating expenses when purchased.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Contracts in progress

Voyage chartering and shipbuilding are accounted for in the statement of financial position at all direct costs incurred plus recognised profits, less recognised losses and progress billings. Voyage chartering revenue and shipbuilding revenue comprise the agreed contract amount while the direct costs incurred comprise the amount of bunker oil consumed and other overheads for voyage chartering, direct material costs and other overheads for shipbuilding.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contracts in progress (Continued)

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where direct costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as contracts in progress.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent it has become probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(b) revenue from the provision of logistic services:

(i) from voyage chartering, on the percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage, as further explained in the accounting policy for "Contracts in progress" above;

(ii) from time chartering, in the period in which the vessels are let and on the straight-line basis over the lease terms; and

(iii) from the lease of storage facilities, on the straight-line basis over the lease terms;

(c) from shipbuilding, on the percentage of completion basis, which is determined on the completion proportion method of each individual shipbuilding contract, as further explained in the accounting policy for "Contracts in progress" above;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or services conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transactions or is otherwise beneficial to the employee as measured at the date of modification.

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2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of a reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of a reporting period for the expected future cost of such paid leave earned during the year by the employees and is carried forward.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme (the "CP Scheme") operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll to the CP Scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the CP Scheme.

The employees of subsidiaries in Singapore are members of the Central Provident Fund (the "CPF") operated by the government of Singapore. These subsidiaries and the employees are required to contribute a certain percentage of their payroll to the CPF. The contributions are charged to the income statement as they become payable in accordance with the rules of the CPF. The subsidiaries have no further obligations for the actual pension payments or post-retirement benefits beyond their contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item.

Difference arising on settlement or translation of monetary items are recognised in the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

The functional currencies of certain subsidiaries, jointly-controlled entities and associates are currencies other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of subsidiaries and jointly-controlled entities with functional currencies other than Hong Kong dollar are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these subsidiaries and jointly-controlled entities which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial guarantee

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value on the date the guarantee was given. Subsequently, the liabilities under such guarantees are measured at the higher of the best estimate of the expenditure required to settle any financial obligation arising at the date of the statement of financial position and the initial measurement. These estimates are determined based on debtors' payment history, supplemented by the judgement of management of the Group.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Depreciation of vessels

Depreciation of vessels constitutes a portion of the Group's operating costs. The cost of vessels is charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in market conditions, asset retirement activities and salvage values to determine adjustments to the estimated remaining useful lives and residual values of the vessels.

Actual economic lives may differ from the estimated useful lives. Periodic reviews could result in changes in residual values and, therefore, depreciation charges in future periods.

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgements in the area of asset impairment, particularly in assessing (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections, including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present values used in impairment tests.

Income tax

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable (that is, more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgements regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses carried forward, the asset balance will be reduced and charged to the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that could have significant risks of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired, at least, on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make estimates of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present values of those cash flows.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value, of those cash flows.

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors including, inter alia, the probability of insolvency or significant financial difficulties of the debtors and default or significant delays in payments.

The Group maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its receivable balances, customers' creditworthiness, and historical write-off experience. If the financial conditions of its customers were to deteriorate so that the actual impairment losses might be higher than expected, the Group would be required to revise the basis of making the allowance.

Contract for services

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the financial year end date, when the outcome of a contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, or services performed to date as a percentage of total services to be performed. Significant assumptions are required to estimate the total contract costs and/or the stage of completion, and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and knowledge of management.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. The Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. These estimates are based on the historical experience of the actual useful lives of assets of similar nature and functions. They could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period based on changes in circumstances. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned. Additional or reduction to depreciation is made if the estimated residual values of items of property, plant and equipment are different from the previous estimations.

Net realisable value of inventories

Net realisable value of inventories is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. These estimates are based on the current market conditions and the historical experience in selling goods of a similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimations at the end of each reporting period.

Fair value of financial instruments

The unlisted financial instruments have been valued by using valuation techniques including estimated discounted cash flows and based on information from a variety of sources, including the fair values of the underlying assets of the investments.

4. 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 5(a).

The joint control of the Company over the TGIL Group was lost during the year ended 31 December 2012 and, as a result, the Group discontinued its onshore storage operation as set out in note 5(b).

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 as detailed in note 2.6.

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 CONSOLIDATED FINANCIAL STATEMENTS

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4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 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	380,378	193,689	698,060	1,272,127	12,217	77,360	89,577	–	1,361,704
– Intersegment revenue	–	–	108,927	108,927	–	–	–	(108,927)*	–
Total	380,378	193,689	806,987	1,381,054	12,217	77,360	89,577	(108,927)	1,361,704
Segment results	(115,131)	(87,783)	(59,567)	(262,481)	(2,348,227)	(57,460)	(2,405,687)	–	(2,668,168)
Adjusted for:									
– Interest income	–	–	–	–	373	657	1,030	19,582	20,612
– Other revenue	–	–	–	–	–	–	–	1,588	1,588
– Other expenses	–	–	–	–	–	–	–	(150,783)	(150,783)
Share of profits of associates	–	–	–	–	–	8,538	8,538	–	8,538
	(115,131)	(87,783)	(59,567)	(262,481)	(2,347,854)	(48,265)	(2,396,119)	(129,613)	(2,788,213)
Add: Depreciation and amortisation	56,977	9,043	435	66,455	76,891	40,861	117,752	11,230	195,437
Operating loss before interest, tax, depreciation and amortisation ("LBITDA")	(58,154)	(78,740)	(59,132)	(196,026)	(2,270,963)	(7,404)	(2,278,367)	(118,383)	(2,592,776)
Gain on deconsolidation of a jointly-controlled entity	–	–	–	–	–	182,293	182,293	–	182,293
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)
Change in fair values of derivative financial instruments not qualifying as hedges	–	–	–	–	–	–	–	157,763	157,763
(LBITDA)/Earnings before interest, tax, depreciation and amortisation ("EBITDA")	(58,154)	(78,740)	(59,132)	(196,026)	(2,270,963)	(992,033)	(3,262,996)	39,380	(3,419,642)
Depreciation and amortisation	(56,977)	(9,043)	(435)	(66,455)	(76,891)	(40,861)	(117,752)	(11,230)	(195,437)
Finance costs	–	–	–	–	(96,723)	(78,660)	(175,383)	(247,846)	(423,229)
Loss before tax	(115,131)	(87,783)	(59,567)	(262,481)	(2,444,577)	(1,111,554)	(3,556,131)	(219,696)	(4,038,308)

* Intersegment revenue is eliminated on consolidation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 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	497,450	351,460	1,066,976	1,915,886	89,021	192,126	281,147	–	2,197,033
– Intersegment revenue	–	–	224,117	224,117	–	–	–	(224,117)*	–
Total	497,450	351,460	1,291,093	2,140,003	89,021	192,126	281,147	(224,117)	2,197,033
Segment results	(133,791)	(191,779)	3,237	(322,333)	(207,899)	27,582	(180,317)	–	(502,650)
Adjusted for:									
– Interest income	–	–	–	–	137	9,379	9,516	25,928	35,444
– Other revenue	–	–	–	–	–	–	–	179	179
– Other expenses	–	–	–	–	–	–	–	(88,526)	(88,526)
Share of (losses)/profits of associates	–	–	(99)	(99)	–	22,877	22,877	–	22,778
	(133,791)	(191,779)	3,138	(322,432)	(207,762)	59,838	(147,924)	(62,419)	(532,775)
Add: Depreciation and amortisation	83,509	14,869	379	98,757	37,505	71,489	108,994	12,336	220,087
Operating (LBITDA)/EBITDA	(50,282)	(176,910)	3,517	(223,675)	(170,257)	131,327	(38,930)	(50,083)	(312,688)
Change in fair values of derivative financial instruments not qualifying as hedges	–	–	–	–	–	–	–	103,682	103,682
(LBITDA)/EBITDA	(50,282)	(176,910)	3,517	(223,675)	(170,257)	131,327	(38,930)	53,599	(209,006)
Depreciation and amortisation	(83,509)	(14,869)	(379)	(98,757)	(37,505)	(71,489)	(108,994)	(12,336)	(220,087)
Finance costs	–	–	–	–	(5,809)	(142,693)	(148,502)	(199,445)	(347,947)
(Loss)/profit before tax	(133,791)	(191,779)	3,138	(322,432)	(213,571)	(82,855)	(296,426)	(158,182)	(777,040)

* Intersegment revenue is eliminated on consolidation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2012

	Provision of logistic services		Supply of oil products and provision of bunker refueling services	Continuing operations		Discontinued operations		
	Offshore storage HK$'000	Transportation HK$'000	HK$'000	Total HK$'000	Shipbuilding HK$'000	Onshore storage HK$'000	Total HK$'000	Consolidated HK$'000
Other segment information								
Depreciation and amortisation	56,977	9,043	435	66,455	76,891	40,861	117,752	184,207
Unallocated depreciation and amortisation				11,230			–	11,230
				77,685			117,752	195,437
Capital expenditures*	5,473	–	1	5,474	205,331	57,901	263,232	268,706
Unallocated capital expenditures				230			–	230
				5,704			263,232	268,936
Impairment of accounts receivable	1,301	5,396	469	7,166	–	–	–	7,166
				7,166			–	7,166
Impairment of prepayments, deposits and other receivables	12,838	3,036	18,983	34,857	107,013	–	107,013	141,870
Unallocated impairment of prepayments, deposits and other receivables				4,480			–	4,480
				39,337			107,013	146,350
Impairment of property, plant and equipment	40,047	–	–	40,047	935,293	–	935,293	975,340
Unallocated impairment of property, plant and equipment				2,112			–	2,112
				42,159			935,293	977,452
Impairment of goodwill	–	–	16,568	16,568	570,618	–	570,618	587,186
				16,568			570,618	587,186
Impairment of prepaid land/seabed lease payment	–	–	–	–	165,619	–	165,619	165,619

* Capital expenditure consists of additions to property, plant and equipment.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2011

	Provision of logistic services		Supply of oil products and provision of bunker refueling services	Continuing operations			Discontinued operations	
	Offshore storage HK$'000 (Restated)	Transportation HK$'000 (Restated)	HK$'000 (Restated)	Total HK$'000 (Restated)	Shipbuilding HK$'000 (Restated)	Onshore storage HK$'000 (Restated)	Total HK$'000 (Restated)	Consolidated HK$'000 (Restated)
Other segment information								
Depreciation and amortisation	83,509	14,869	379	98,757	37,505	71,489	108,994	207,751
Unallocated depreciation and amortisation				12,336			–	12,336
				111,093			108,994	220,087
Capital expenditures*	109,784	9,770	2,023	121,577	498,887	392,584	891,471	1,013,048
Unallocated capital expenditures				2,299			–	2,299
				123,876			891,471	1,015,347
Reversal of impairment of accounts receivable	–	(412)	(33)	(445)	–	–	–	(445)
Unallocated reversal of impairment of account receivable				(223)			–	(223)
				(668)			–	(668)

* Capital expenditure consists of additions to property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

	Mainland China		Other Asia Pacific countries		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
a) Revenue						
Revenue from external customers	**770,361**	1,317,161	**591,343**	879,872	**1,361,704**	2,197,033
Attributable to discontinued operations						
– shipbuilding	**(12,217)**	(89,021)	**–**	–	**(12,217)**	(89,021)
– onshore storage	**(77,360)**	(192,126)	**–**	–	**(77,360)**	(192,126)
Revenue from continuing operations	**680,784**	1,036,014	**591,343**	879,872	**1,272,127**	1,915,886
b) Other information						
Segment assets	**672,048**	4,257,293	**377,100**	1,393,110	**1,049,148**	5,650,403
Unallocated assets					**–**	137,945
					1,049,148	5,788,348
Capital expenditures	**263,233**	893,665	**229**	2,128	**263,462**	895,793
Unallocated capital expenditures					**5,474**	119,554
					268,936	1,015,347
Impairment/(reversal of impairment) of accounts receivable	**469**	–	**6,697**	(668)	**7,166**	(668)
Impairment of prepayments, deposits and other receivables	**114,297**	–	**32,053**	–	**146,350**	–
Impairment of property, plant and equipment	**935,293**	–	**42,159**	–	**977,452**	–
Impairment of goodwill	**587,186**	–	**–**	–	**587,186**	–
Impairment of prepaid land/seabed lease payment	**165,619**	–	**–**	–	**165,619**	–

The revenue information above is based on the location of the customers. The other information is based on the location of the assets and where the impairment of assets were recorded or reversed.

Information about major customers

Revenues of HK$380,056,000 and HK$150,091,000 from two major customers reported under the supply of oil products and provision of bunker refueling services segment exceeded 10% of the Group's total revenue respectively.

5. 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 of RMB740,000,000 (equivalent to approximately HK$918,304,000) referred to above together with accrued interest.

Subsequent to 31 December 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 proceedings. Further details are set out in note 43(e).

As at 31 December 2012 and 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 years ended 31 December 2012 and 2011 are included in the consolidated income statement as "Loss for the year from discontinued operations".

b) Onshore storage – TGIL Group

As disclosed in note 2.2 of this report, the joint control of the Company over the TGIL Group had been lost during the year ended 31 December 2012. The results, assets and liabilities and cash flows of the TGIL Group have, therefore, been deconsolidated from the financial statements of the Group during the year ended 31 December 2012. The results of the TGIL Group for the six months ended 30 June 2012 and the year ended 31 December 2011 are included in the consolidated income statement as "Loss for the year from discontinued operations" and details of the carrying amount of the deconsolidated assets and liabilities of the TGIL Group are disclosed in note 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5. 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 year 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 year.

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Revenue	6	**89,577**	281,147
Cost of sales		**(166,766)**	(301,887)
Gross loss		**(77,189)**	(20,740)
Other revenue		**3,862**	14,672
General and administrative expenses		**(552,787)**	(164,733)
Impairment of property, plant and equipment	15	**(935,293)**	–
Impairment of goodwill		**(570,618)**	–
Impairment of prepaid land/seabed lease payments	16	**(165,619)**	–
Impairment of prepayments, deposits and other receivables		**(107,013)**	–
Finance costs	8	**(175,383)**	(148,502)
Share of profits of associates		**8,538**	22,877
Loss on early redemption			
– TGIL preferred shares	32	**(1,013,937)**	–
– TGIL Notes Due 2014		**(152,985)**	–
Gain on deconsolidation of a jointly-controlled entity	9(a)	**182,293**	–
Loss before tax		**(3,556,131)**	(296,426)
Income tax credit/(expense)	12	**53,310**	(576)
Loss for the year from discontinued operations		**(3,502,821)**	(297,002)

5. DISCONTINUED OPERATIONS (Continued)

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

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

	Notes	2012 HK$'000	2011 HK$'000
Assets			
Property, plant and equipment	15	**2,020,624**	3,099,607
Prepaid land/seabed lease payments	16	**306,019**	516,477
Goodwill	18	**–**	570,618
Inventories	22	**43,688**	133,671
Accounts receivable	23	**–**	98,540
Prepayments, deposits and other receivables		**51,625**	142,362
Contracts in progress	24	**–**	203,876
Pledged deposits and restricted cash		**–**	7,466
Cash and cash equivalents		**1,207**	61,626
Assets of a disposal group classified as held for sale		**2,423,163**	4,834,243
Liabilities			
Interest-bearing bank loans		**2,439,924**	2,338,177
Accounts and bills payable		**88,335**	92,701
Other payables and accruals		**313,546**	300,519
Deferred tax liabilities		**58,658**	112,180
Liabilities directly associated with the assets classified as held for sale		**2,900,463**	2,843,577
Net (liabilities)/assets directly associated with the disposal group		**(477,300)**	1,990,666

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

	2012 HK$'000	2011 HK$'000 (Restated)
Operating activities	**13,196**	(93,693)
Investing activities	**(225,506)**	(883,714)
Financing activities	**90,427**	913,903
Net cash outflow	**(121,883)**	(63,504)

6. 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 5. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

	2012 **HK$'000**	2011 HK$'000 (Restated)
Provision of offshore storage services	**380,378**	497,450
Provision of transportation services	**193,689**	351,460
Supply of oil products and provision of bunker refueling services	**698,060**	1,066,976
Attributable to continuing operations	**1,272,127**	1,915,886
Attributable to discontinued operations (note 5)	**89,577**	281,147
	1,361,704	2,197,033

7. 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.

	Notes	Group 2012 HK$'000	2011 HK$'000
Employee benefits expenses (excluding directors' Remuneration – note 10):			
Wages and salaries		**153,800**	230,635
Equity-settled share option expenses		**1,069**	2,440
Pension scheme contributions		**4,115**	6,690
		158,984	239,765
Cost of inventories sold		**922,287**	1,258,989
Cost of services rendered		**639,641**	1,250,050
Depreciation*		**144,642**	205,266
Amortisation of prepaid land/seabed lease payments**		**49,046**	3,571
Amortisation of licenses*	17	**1,749**	11,250
Minimum lease payments under operating leases:			
Vessels		**274,602**	487,159
Leasehold buildings**		**10,112**	12,902
Auditors' remuneration**		**3,859**	4,029
Losses on disposal/write off of items of property, plant and equipment**		**354,455**	104
Write down of inventories to net realisable value**		**15,033**	71,797
Impairment of prepaid land/seabed lease payments**		**165,619**	–
Impairment of items of property, plant and equipment**	15	**977,452**	–
Impairment of goodwill**	18	**587,186**	–
Impairment of prepayments, deposits and other receivables**		**146,350**	–
Impairment of licenses**	17	**19,384**	–
Foreign exchange differences, net**		**50,564**	(3,767)
Impairment/(reversal of impairment) of accounts receivable**	23	**7,166**	(668)
Bank interest income		**(20,612)**	(27,885)

* These items are included in "Cost of sales" in the consolidated income statement. Depreciation of vessels and vessel equipment of HK$64,272,000 (2011: HK$87,127,000) are included in "Cost of sales".

** Impairment of prepaid land/seabed lease payments of HK$165,619,000, impairment of property, plant and equipment of HK$935,293,000, impairment of goodwill of HK$570,618,000 and impairment of prepayments, deposits and other receivables of HK$107,013,000 were included in "Loss for the year from discontinued operations" in the consolidated income statements. Except for the above, these items are related to continuing operations and are included in "General and administrative expenses" in the consolidated income statement.

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8. FINANCE COSTS

	2012 HK$'000	2011 HK$'000 (Restated)
Interest on:		
Bank loans wholly repayable within five years	129,373	99,077
Bank loans not wholly repayable within five years	150,243	175,001
Senior Notes Due 2012	47,181	74,549
Convertible Notes Due 2015	125,756	52,754
PIK Notes Due 2015	7,753	7,842
K-Line Notes Due 2013	6,249	6,124
TGIL Notes Due 2014	8,693	17,149
Loan from a shareholder	30	–
Dividends on convertible preferred shares:		
Titan preferred shares (note 32)	28,326	37,855
TGIL preferred shares (note 32)	16,655	37,721
Other finance costs	3,901	5,841
Total interest expenses	524,160	513,913
Less: Interest capitalised	(100,931)	(165,966)
	423,229	347,947
Attributable to continuing operations	247,846	199,445
Attributable to discontinued operations (note 5)	175,383	148,502
	423,229	347,947

9. DECONSOLIDATION OF A JOINTLY-CONTROLLED ENTITY

a) Gain on deconsolidation of a jointly-controlled entity

	Notes	HK$'000
Property, plant and equipment	15	**2,751,286**
Prepaid land lease payments	16	**425,068**
Goodwill	18	**414,955**
Interests in associates		**313,553**
Deposits for construction in progress		**4,044**
Inventories	22	**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	32	**(1,426,535)**
Liability portion of convertible unsecured notes		**(410,484)**
Deferred tax liabilities	36	**(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 of the Group		**119,074**
Impairment on amounts due from a deconsolidated jointly-controlled entity	23	**(161,412)**
Net assets of the TGIL Group attributable to the Group		**(9,893)**
Gain on deconsolidation of a jointly-controlled entity	5(c)	**182,293**

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

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

During the year ended 31 December 2012, impairments have been made for the amounts due from deconsolidated jointly-controlled entity due to the amounts are highly unrecoverable and which are determined by reference to the estimation of future cash flows expected to be generated from the deconsolidated jointly-controlled entity. Accordingly, impairment losses of HK$161,412,000 (2011: HK$Nil) were recognised during the year and has been included in gain on deconsolidation of a jointly-controlled entity as set out in note 9(a) above.

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10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is detailed as follows:

	Group 2012 HK$'000	2011 HK$'000
Fees	**967**	880
Other emoluments:		
Salaries, allowances and benefits-in-kind	**6,178**	3,711
Equity-settled share option expenses	**–**	31
Pension scheme contributions	**31**	34
	6,209	3,776
	7,176	4,656

During the years ended 31 December 2012 and 2011, no emoluments have been paid by the Group to any of the directors as an inducement to join or upon joining the Group as compensation for loss of office.

The emoluments of directors and the Chief Executive (the "CE") for the year ended 31 December 2012 are set out below.

	Fees HK$'000	Salaries, allowances and benefits-in-kind HK$'000	Pension scheme contributions HK$'000	Total emoluments HK$'000
Executive directors:				
Mr. Zhao Xu Guang* (appointed on 3 July 2012)	–	1,900	8	1,908
Mr. Patrick Wong Siu Hung	–	3,678	15	3,693
Mr. Fu Yong Yuan (appointed on 3 July 2012)	–	600	8	608
Mr. Tsoi Tin Chun* (re-designation as a non-executive director on 3 July 2012 and resigned on 5 February 2013)	–	–	–	–
Non-executive directors:				
Mr. Hu Zhong Shan (appointed on 29 August 2012)	85	–	–	85
Independent non-executive directors:				
Mr. John William Crawford	370	–	–	370
Mr. Abraham Shek Lai Him	250	–	–	250
Ms. Maria Tam Wai Chu (retired on 29 June 2012)	130	–	–	130
Mr. Shane Frederick Weir (appointed on 29 June 2012)	132	–	–	132
	967	6,178	31	7,176
CE				
Mr. Cai Jian Jun Henry* (appointed on 3 January 2012 and left on 23 August 2012)	–	2,013	9	2,022
Total	967	8,191	40	9,198

10. DIRECTORS' REMUNERATION (Continued)

The emoluments of directors and the CE for the year ended 31 December 2011 are set out below.

	Fees HK$'000	Salaries, allowances and benefit-in-kind HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total emoluments HK$'000
Executive directors:					
Mr. Patrick Wong Siu Hung	–	3,711	31	34	3,776
Mr. Tsoi Tin Chun*	–	–	–	–	–
Independent non-executive directors:					
Mr. John William Crawford	370	–	–	–	370
Mr. Abraham Shek Lai Him	250	–	–	–	250
Ms. Maria Tam Wai Chu	260	–	–	–	260
Total	880	3,711	31	34	4,656

* Mr. Tsoi Tin Chun was resigned as CE on 3 January 2012. Mr. Cai Jian Jun Henry was appointed as CE on 3 January 2012 and left the Company on 23 August 2012. Mr. Zhao Xu Guang was appointed as CE on 23 August 2012 and ceased to act as CE on 25 March 2013.

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

The above executive directors' remuneration is in line with the compensation of key management personnel of the Group.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2011: one) directors, details of whose remuneration is disclosed in note 10 above. Details of the remuneration of the remaining three (2011: four) non-directors, highest paid employees for the year are as follows:

	Group **2012** **HK$'000**	2011 HK$'000
Salaries, allowances and benefits-in-kind	**4,942**	10,890
Equity-settled share option expenses	**–**	79
Pension scheme contributions	**255**	323
	5,197	11,292

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of non-director, highest paid employees whose remuneration fell within the designated bands is as follows:

	Number of employees	
	2012	2011
	HK$'000	HK$'000
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	3
HK$2,500,001 to HK$3,000,000	**–**	1
	3	4

12. INCOME TAX (CREDIT)/EXPENSE

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%

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 current and prior year.

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 is 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 during the current and prior year.

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 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 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. INCOME TAX (CREDIT)/EXPENSE (Continued)

	2012 HK$'000	2011 HK$'000 (Restated)
Hong Kong:		
Current charge for the year	**–**	–
Elsewhere:		
Current (credit)/charge for the year	**(6,386)**	4,470
Underprovision in prior years	**1,103**	3,204
	(5,283)	7,674
Deferred taxation (note 36)	**(2,571)**	(1,958)
Total tax (credit)/charge for the year	**(7,854)**	5,716

A reconciliation of the tax charge/(credit) applicable to the loss before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax (credit)/charge at the effective tax rate is as follows:

	Group	
	2012 HK$'000	2011 HK$'000 (Restated)
Loss before tax	**(4,038,308)**	(770,040)
Tax at the statutory tax rates	**(875,001)**	(146,850)
Adjustments in respect of current tax of previous periods	**1,103**	3,227
Profits and losses attributable to associates	**–**	(5,719)
Release of deferred tax	**(56,093)**	(1,958)
Income not subject to tax	**(359,316)**	(566,484)
Expenses not deductible for tax	**1,228,143**	724,076
Tax (credit)/charge at the Group's effective rate	**(61,164)**	6,292
Represented by:		
Tax (credit)/charge attributable to continuing operations	**(7,854)**	5,716
Tax (credit)/charge attributable to discontinued operations (note 5)	**(53,310)**	576
	(61,164)	6,292

The share of tax attributable to associates amounting to HK$Nil (2011: HK$608,000) is included in "Share of losses of associates" on the face of the consolidated income statement.

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13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2012 includes a loss of HK$4,079,718,000 (2011: HK$645,926,000) which has been dealt with in the financial statements of the Company (note 39(b)).

14. 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:

	2012 HK$'000	2011 HK$'000
Loss for the year attributable to owners of the Company	**(3,977,144)**	(783,332)

	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**	7,798,175,987

The diluted loss per share for each of the years ended 31 December 2012 and 2011 was the same as the basic loss per share.

No adjustments have been made to the basis loss per share amounts presented for the years ended 31 December 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:

	2012 HK$'000	2011 HK$'000 (Restated)
Loss for the year from continuing operations	**(474,323)**	(486,330)

From discontinued operations

Basic and diluted loss per share for discontinued operations is HK44.79 cents per share (2011: HK3.81 cents per share), based on the loss for the year from discontinued operations attributable to owners of the Company of approximately HK$3,502,821,000 (2011: HK$297,002,000) 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 years ended 31 December 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 basis loss per share amounts presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15. PROPERTY, PLANT AND EQUIPMENT

31 December 2012	Buildings HK$'000	Machinery HK$'000	Leasehold improvements HK$'000	Vessels HK$'000	Storage facilities HK$'000	Furniture, equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 December 2011 and 1 January 2012:								
Cost	89,011	100,755	7,629	219,249	2,050,284	154,872	766,082	3,387,882
Accumulated depreciation and impairments	(17,075)	(14,871)	(6,376)	(86,033)	(184,608)	(118,299)	–	(427,262)
Net carrying amount	71,936	85,884	1,253	133,216	1,865,676	36,573	766,082	2,960,620
At 1 January 2012, net of accumulated depreciation and impairments	71,936	85,884	1,253	133,216	1,865,676	36,573	766,082	2,960,620
Additions	–	97	7	5,447	466	571	31,379	37,967
Deemed disposals of partial interest in a jointly-controlled entity	(515)	(616)	(2)	–	(14,443)	(116)	(4,765)	(20,457)
Deconsolidation of a jointly-controlled entity (Note 9(a))	(69,160)	(82,697)	(208)	–	(1,946,144)	(14,985)	(638,092)	(2,751,286)
Disposals/written off	–	–	–	(37,808)	(15,236)	(3,765)	–	(56,809)
Depreciation provided during the year	(1,996)	(2,354)	(686)	(61,924)	(32,828)	(13,086)	–	(112,874)
Impairments	–	–	–	(38,931)	–	(3,228)	–	(42,159)
Transfers	–	–	–	–	149,790	2,355	(152,145)	–
Exchange realignments	(265)	(314)	2	–	(7,281)	338	(2,459)	(9,979)
At 31 December 2012, net of accumulated depreciation and impairments	–	–	366	–	–	4,657	–	5,023
At 31 December 2012:								
Cost	–	–	7,366	62,475	–	91,916	–	161,757
Accumulated depreciation and impairments	–	–	(7,000)	(62,475)	–	(87,259)	–	(156,734)
Net carrying amount	–	–	366	–	–	4,657	–	5,023

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15. PROPERTY, PLANT AND EQUIPMENT (Continued)

31 December 2011	Buildings HK$'000	Machinery HK$'000	Leasehold improvements HK$'000	Vessels* HK$'000	Storage facilities HK$'000	Furniture, equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 December 2010 and 1 January 2011:								
Cost	87,644	75,418	8,935	167,991	1,542,068	133,897	1,016,578	3,032,531
Accumulated depreciation and impairments	(13,639)	(11,163)	(7,065)	(35,593)	(133,428)	(86,032)	–	(286,920)
Net carrying amount	74,005	64,255	1,870	132,398	1,408,640	47,865	1,016,578	2,745,611
At 1 January 2011, net of accumulated depreciation and impairments	74,005	64,255	1,870	132,398	1,408,640	47,865	1,016,578	2,745,611
Additions	–	1,127	38	102,641	108,847	25,084	278,723	516,460
Deemed disposals of partial interest in a jointly-controlled entity	(5,814)	(6,616)	(25)	–	(128,333)	(1,304)	(81,357)	(223,449)
Disposals	–	–	–	(22,329)	–	(1,260)	–	(23,589)
Depreciation provided during the year	(3,968)	(4,150)	(647)	(79,494)	(56,636)	(35,382)	–	(180,277)
Transfers	4,156	28,196	–	–	465,056	–	(497,408)	–
Exchange realignments	3,557	3,072	17	–	68,102	1,570	49,546	125,864
At 31 December 2011, net of accumulated depreciation and impairments	71,936	85,884	1,253	133,216	1,865,676	36,573	766,082	2,960,620
At 31 December 2011:								
Cost	89,011	100,755	7,629	219,249	2,050,284	154,872	766,082	3,387,882
Accumulated depreciation and impairments	(17,075)	(14,871)	(6,376)	(86,033)	(184,608)	(118,299)	–	(427,262)
Net carrying amount	71,936	85,884	1,253	133,216	1,865,676	36,573	766,082	2,960,620

At 31 December 2012, included in the assets of a disposal group classified as held for sale, the Group's construction in progress, buildings, machinery and storage facilities with net carrying values of approximately HK$811,295,000 (2011: HK$901,532,000), HK$454,039,000 (2011: HK$480,354,000), HK$97,526,000 (2011: HK$218,405,000) and HK$Nil (2011: HK$1,562,576,000), respectively, were pledged to secure certain banking facilities granted to the Group (note 27).

At 31 December 2012, included in the assets of a disposal group classified as held for sale was the property, plant and equipment with net carrying amount of approximately HK$2,020,624,000, due to the shipbuilding operation suffered continuous losses, and had been in prolonged litigation and with suspended operation, the recoverable amount of the property, plant and equipment was calculated to be lower than its carrying amount and accordingly, impairment losses of approximately HK$935,293,000 (2011: HK$Nil) were recognised for the year ended 31 December 2012 and has been included in loss for the year from discontinued operations as set out in note 5.

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The recoverable amount of the property, plant and equipment classified as held for sale for the year ended 31 December 2012 was determined based on a valuation performed by an independent valuer not connected to the Group. The recoverable amount was calculated by either or combination of (i) the cost approach with reference to the cost to reproduce or replace in new condition of the valued assets in accordance with current market prices for similar assets, with allowance for accrued deprecation as evidence by observed condition or obsolescence present; or (ii) the sales comparison approach with reference to the prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the valued assets relative to the market.

At 31 December 2012, included in the continuing operations was the property, plant and equipment with net carrying amount of HK$5,023,000, due to the suspension of provision of logistic services carried out in Singapore, the recoverable amounts of the vessels and certain items of furniture, equipment and motor vehicle located in Singapore were calculated to be lower than their carrying amounts and accordingly, impairment losses of HK$38,931,000 (2011: HK$Nil) and HK$3,228,000 (2011: HK$Nil) were recognised for the year ended 31 December 2012 respectively and have been included in "General and administrative expenses" to the consolidated income statement.

* In the prior year, the Group disposed of a bunker barge for a total consideration of US$4,000,000 (equivalent to approximately HK$31,200,000) and no material gain or loss on disposal was recorded.

16. PREPAID LAND/SEABED LEASE PAYMENTS

	Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount at 1 January	**435,137**	464,776
Additions	**25,638**	–
Amortisation provided during the year	**(3,923)**	(3,077)
Amortisation capitalised in construction in progress	**(3,451)**	(7,003)
Deemed disposals of partial interest in a jointly-controlled entity	**(2,953)**	(34,727)
Deconsolidation of a jointly-controlled entity (Note 9(a))	**(425,068)**	–
Exchange realignments	**(1,019)**	15,168
Carrying amount at 31 December	**24,361**	435,137

Prepaid land/seabed lease payments represent outlays in respect of the acquisition of land/seabed use rights that are accounted for as operating leases. These land/seabed lease payments are held on a long term basis and are situated in Mainland China.

At 31 December 2012, including the prepaid land/seabed lease payments classified under assets of a disposal group classified as held for sale, the Group's prepaid land/seabed lease payments with an aggregate net carrying value of HK$330,380,000 (2011: HK$914,917,000) were pledged to secure certain banking facilities granted to the Group (note 27).

At 31 December 2012, included in the assets of a disposal group classified as held for sale was the prepaid land/seabed lease payments with net carrying amount of HK$306,019,000, due to suspension of operation of Shipbuilding, the recoverable amount of the prepaid land/seabed lease payments was calculated to be lower than its carrying amount and accordingly, impairment losses of HK$165,619,000 (2011: HK$Nil) were recognised for the year ended 31 December 2012 and has been included in loss for the year from discontinued operations as set out in note 5.

The recoverable amount of the prepaid land/seabed lease payments for the year ended 31 December 2012 was determined based on a valuation performed by an independent valuer not connected to the Group. The recoverable amount was calculated by direct comparison method with reference to comparable sales transactions as available in the relevant market and also considered the basis of capitalization of the net income receivable, if necessary.

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17. LICENSES

	Notes	Group HK$'000
31 December 2012		
At 1 January 2012, net of accumulated amortisation and impairments		**21,133**
Amortisation provided during the year	7	**(1,749)**
Impairments provided for the year	7	**(19,384)**
At 31 December 2012		**–**
At 31 December 2012:		
Cost		**51,935**
Accumulated amortisation and impairments		**(51,935)**
Net carrying amount		**–**
31 December 2011		
At 1 January 2011, net of accumulated amortisation		32,383
Amortisation provided during the year		(11,250)
At 31 December 2011		21,133
At 31 December 2011:		
Cost		51,935
Accumulated amortisation and impairments		(30,802)
Net carrying amount		21,133

Licenses represent the rights acquired to undertake floating storage operations within the port limits off the west coast of the Malaysia peninsula, pursuant to licenses issued by the Ministry of Transport of Malaysia.

During the year ended 31 December 2012, the Group carried out a review of recoverable amount of licenses. As the result of the continuous losses suffered by offshore storage operation, the recoverable amount as at 31 December 2012 was calculated to be lower than the carrying amount of the licenses and accordingly, impairment losses of HK$19,384,000 (2011: HK$Nil) was recognised for the year ended 31 December 2012.

The recoverable amount of licenses for the year ended 31 December 2012 was determined based on value in use calculation. The impairment review of licenses is based on the expected future cash flow approved by management.

Discount rate of 13.91% was applied on the value in use calculations.

18. GOODWILL

	Group HK$'000
31 December 2012	
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 (note 9(a))	**(414,955)**
Impairments provided for the year	**(16,568)**
At 31 December 2012	**–**
At 31 December 2012:	
Cost	**35,526**
Accumulated impairments	**(35,526)**
Net carrying amount	**–**
31 December 2011	
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

The carrying amount of goodwill (net of impairments) allocated to each of the cash-generating units is as follows:

	Oil supply		Onshore storage		Shipbuilding and ship repair		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Carrying amount of goodwill	–	16,568	–	418,003	–*	–*	–	434,571

* At 31 December 2011, goodwill of HK$570,618,000 allocated to the shipbuilding and ship repair cash-generating unit was included in assets of a disposal group classified as held for sale as disclosed in note 5.

Goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

- Oil supply cash-generating unit;
- Onshore storage cash-generating unit; and
- Shipbuilding and ship repair cash-generating unit.

Onshore storage cash-generating unit

As disclosed in note 2 to the consolidated financial statements, the directors consider that joint control of the Company over TGIL Group was lost during 2012. The goodwill generated from onshore storage was deconsolidated in the Group during the year.

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18. GOODWILL (Continued)

Impairment testing of goodwill

Oil supply cash-generating unit

The recoverable amount of the oil supply cash-generating unit has been determined based on a value in use method which uses cash flow projections covering five-year periods. The discount rate applied to cash flow projections was 14.5% (2011: 13.2%) Due to the deteriorating performance of oil supply business, it is considered that the cash flow generated from this cash-generating unit is minimal and cannot cover the carrying amount of goodwill, and therefore, full impairment had been provided.

Shipbuilding and ship repair cash-generating unit

Discontinuing of the shipbuilding business as set out in note 5(a) resulted in a transfer of the goodwill in relation to the shipbuilding and ship repair cash-generating unit to assets held for sale. The recoverable amount of the shipbuilding and ship repair cash-generating unit has been determined based on cash flow projection covering five-year periods and discount rate of 25.21% (2011: 13.2%). In view of the shipbuilding operation suffered continuous losses, and had been in prolonged litigation and with production suspended, it is considered that the cash flow generated from this cash-generating unit is minimal and cannot cover the carrying amount of goodwill, and, therefore, full impairment has been provided.

As at 31 December 2012, goodwill impairments were made for the oil supply business and shipbuilding and ship repair business and goodwill was derecognised for the onshore storage business due to deconsolidation of a jointly-controlled entity.

As at 31 December 2011, no impairment had been made against the goodwill arising from acquisition of the oil supply business, onshore storage business, the shipbuilding and ship repair business.

19. INTERESTS IN SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Unlisted shares, at cost	**234,008**	234,008
Deemed investment cost*	**102,117**	50,404
Due from subsidiaries	**4,987,403**	4,905,078
Less: Impairment	**(5,323,528)**	(1,516,474)
Non-current portion	**–**	3,673,016

* The deemed investment cost represented the fair value of financial guarantees provided by the Company to (i) a bank for a loan granted to a subsidiary of the Group, (ii) shipowners for charter hire expenses of a subsidiary of the Group in accounts payable and (iii) the K-Line Notes Due 2013.

During the year, the Group recognised an impairment loss of HK$3,807,054,000 (2011: HK$540,000,000) on the amounts due from subsidiaries based on the estimation of future cash flows expected to be generated from the respective subsidiaries as a result of the severe financial difficulties suffered by the subsidiaries.

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

19. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Titan Oil (Asia) Ltd.	BVI	Ordinary US$1	100	Investment holding
Titan FSU Investment Limited	BVI	Ordinary US$1,000	100	Investment holding
Titan Oil Storage Investment Limited ("TOSIL")	BVI	Ordinary US$1	100	Investment holding
Titan Oil Trading (Asia) Limited	BVI	Ordinary US$1	100	Investment holding
Titan Bunkering Investment Limited	BVI	Ordinary US$1	100	Investment holding
Harbour Sky Investments Limited	BVI	Ordinary US$1	100	Investment holding
Titan Shipyard Holdings Limited ("Shipyard Holdings")	BVI	Ordinary US$1	100	Investment holding
Titan Petrochemicals (Fujian) Ltd# ("Titan Fujian")	Mainland China	US$30,000,000	100	Investment holding
Indirectly held				
Titan Bunkering Pte. Ltd.°	Singapore/ Malaysia	Ordinary SG$13,825,000	100	Provision of bunker refueling services
Estonia Capital Ltd.	BVI/Singapore	Ordinary US$1	100	Provision of floating storage services
Titan Libra Pte. Ltd.°	Singapore	Ordinary SG$1,000,000	100	Provision of financing services
Sino Venus Pte. Ltd.°	Singapore	Ordinary SG$1,000,000	100	Provision of oil transportation services
Wynham Pacific Ltd.	BVI/Singapore	Ordinary US$1	100	Provision of oil transportation services
Sino Ocean Development Limited	BVI/Singapore	Ordinary US$1	100	Provision of oil transportation services

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19. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (Continued)				
Titan Ocean Pte Ltd°	Singapore	Ordinary SG$2,900,000	100	Provision of ship management and agency services
Titan Mars Limited	BVI/Malaysia	Ordinary US$1,000	100	Holding a floating storage license
Titan Storage Limited	BVI/Malaysia	Ordinary US$1,000	100	Provision of floating storage services
Titan Orient Lines Pte. Ltd.°	Singapore	Ordinary SG$2	100	Investment holding
Titan Resources Management Limited	BVI/Hong Kong	Ordinary US$1	100	Provision of consultancy services
Titan Resources Management (S) Pte. Ltd.°	Singapore	Ordinary SG$100,000	100	Provision of consultancy services
Ascend Success Investments Limited	Hong Kong	Ordinary HK$1	100	Provision of financing services
石獅市益泰潤滑油脂貿易有限責任公司	Mainland China	RMB28,000,000	100	Investment holding
嵊泗海鑫石油有限公司	Mainland China	RMB50,000,000	100	Supply of oil products
Titan TQSL Company Ltd.	BVI	Ordinary US$10,000	100	Investment holding
Titan Quanzhou Shipyard†	Mainland China	RMB1,040,879,823	100	Shipbuilding and ship repair
廣州泰山石化有限公司	Mainland China	RMB50,000,000	100	Supply of oil products

Registered as a wholly foreign-owned enterprise under PRC law.

† Registered as a sino-foreign owned enterprise under PRC law.

° Placed into liquidation in 2013.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INTERESTS IN SUBSIDIARIES (Continued)

On 11 December 2010, the Company entered into a sale and purchase agreement to dispose of its 95% equity interest in a subsidiary, Titan Quanzhou Shipyard. As separately disclosed, this disposal has not yet been completed at the date of this report.

Shares of certain subsidiaries held by the Group were pledged to the note holders of the Senior Notes Due 2012 (note 29), the Convertible Notes Due 2015 (note 30) and the PIK Notes Due 2015 (note 31).

20. INTERESTS IN ASSOCIATES

	Group	
	2012	2011
	HK$'000	HK$'000
Share of net assets	–	327,875
Goodwill on acquisition	–	26,448
Deemed disposal of partial interest in a jointly-controlled entity	–	(29,555)
	–	324,768

Particulars of the associates as at 31 December 2012 are as follows:

Name	Particulars of registered capital held	Business structure	Place of registration and operations	Percentage of ownership interest attributable to the Group 2012	2011	Principal activities
Yangshan Shen Gang International Oil Logistics Co., Ltd.* ("Yangshan Shen Gang")	US$73,460,000	Corporate	Mainland China	–	34.1	Operation of oil berthing and storage facilities
Guangzhou Xiaohu Petrochemical Terminal Co., Ltd.* ("GZ Xiaohu")	RMB157,500,000	Corporate	Mainland China	–	27.6	Terminal facility services

* Held under a jointly-controlled entity (note 21).

The following table sets out the summarised combined financial information in respect of the Group's associates extracted from their management accounts:

	Group	
	2012	2011
	HK$'000	HK$'000
Assets	–	2,370,851
Liabilities	–	1,449,145
Revenue	**178,858**	379,246
Profit for the year	**22,908**	62,574

福建石獅中油油品銷售有限公司 was dissolved in June 2011 and no material gains or losses resulted from the dissolution.

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20. INTERESTS IN ASSOCIATES (Continued)

As disclosed in note 2 to the consolidated financial statements, the joint control over the TGIL Group has been lost upon occurrence of the external restrictions and events during the year. The interests in GZ Xiaohu and Yangshan Shen Gang were, therefore, deconsolidated from the financial statements of the Group as of that date.

21. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

Name	Issued share capital/registered share capital	Place of registration and operations	Ownership interest/ percentage of voting power 2012	Ownership interest/ percentage of voting power 2011	Profit sharing[@] 2012	Profit sharing[@] 2011	Principal activities
TGIL	Ordinary US$475,800 and Preferred US$399,200	BVI	–	50.1	–	50.1	Investment holding
GZ Nansha	US$87,790,000	Mainland China	–	50.1	–	50.1	Provision of onshore storage services
Titan WP Storage Ltd.	Ordinary US$240,800	Bermuda	–	50.1	–	50.1	Investment holding
Titan Group Yangshan Investment Limited	Ordinary US$40	BVI	–	50.1	–	50.1	Investment holding
Sky Sharp Investments Limited	Ordinary US$16,000	BVI	–	50.1	–	50.1	Investment holding
Forever Fortune Holdings Limited	Ordinary HK$10,000 and Non-voting Deferred HK$10,000	Hong Kong	–	50.1	–	50.1	Investment holding

21. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

Name	Issued share capital/registered share capital	Place of registration and operations	Ownership interest/ percentage of voting power 2012	2011	Profit sharing[@] 2012	2011	Principal activities
FJ Titan[#]	US$44,000,000	Mainland China	–	50.1	–	50.1	Provision of onshore storage services
QZ Titan[#]	US$40,000,000	Mainland China	–	50.1	–	50.1	Provision of onshore storage services
Titan Group Nansha Investment Limited	Ordinary HK$1	Hong Kong	–	50.1	–	50.1	Investment holding
Titan Group Yantai Investment Limited	Ordinary US$1	BVI	–	50.1	–	50.1	Investment holding
Titan Investment Group Limited ("TIGL")	Ordinary HK$1	Hong Kong	–	50.1	–	50.1	Investment holding
Yantai Titan Petrochemical Port Development Company Limited ("Yantai")[†^]	RMB198,000,000	Mainland China	–	25.1	–	25.1	Provision of onshore storage services

All of the above investments in jointly-controlled entities were indirectly held by the Company.

† Registered as a sino-foreign owned enterprise under the PRC law.

Registered as a wholly foreign-owned enterprise under the PRC law.

@ Pursuant to the liquidation order of preference requirements for the TGIL preferred shares, as detailed in note 32(b) to the financial statements, 100% of accumulated losses incurred by TGIL group will be borne by the Group.

During the year, SSL exercised its subscription rights under the warrants issued by TGIL. TGIL allotted and issued 3,507 new ordinary shares to SSL which resulted to a dilution of 0.67% to the Group's equity interest in jointly-controlled entities. A gain on deemed disposal of partial interest in TGIL of HK$1,788,000 was recognised in the consolidated income statement for the year.

In 2011, TOSIL, Warburg Pincus and TGIL entered into a subscription agreement by which TGIL alloted and issued an aggregate of 37,575 and 37,425 new ordinary shares to TOSIL and Warburg Pincus for considerations of US$9,459,000 (equivalent to approximately HK$73,780,000) and US$9,422,000 (equivalent to approximately HK$73,492,000) respectively. These allotments of new shares to Warburg Pincus resulted in a dilution of 7.87% to the Group's equity interest in jointly-controlled entities. A gain on deemed disposal of partial interest in TGIL of HK$7,559,000 was recognised in the consolidated income statement of 2011.

^ On 17 October 2011, TIGL signed an agreement with Yantai Port Western Port Co., Ltd. ("Western Port Company") for an investment in Yantai in which TIGL and Western Port Company each held 50% equity interests. The Group shares joint control with Western Port Company and, therefore, recognised Yantai as a jointly-controlled entity during the year.

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21. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

As disclosed in note 2 to the consolidated financial statements, the joint control over TGIL Group has been lost upon occurrence of the external restrictions and events during the year. The results, assets and liabilities and cash flows of the above jointly-controlled entities were therefore deconsolidated from the financial statements of the Group since then.

All the above jointly-controlled entities, except for TGIL and Yantai, are wholly-owned subsidiaries held by TGIL directly or indirectly.

The following table sets out the summarised financial information in respect of the Group's jointly-controlled entities:

	2012 **HK$'000**	2011 HK$'000
Share of jointly-controlled entities' assets and liabilities:		
Non-current assets	**–**	4,326,766
Non-current liabilities	**–**	(2,071,915)
Current assets	**–**	502,199
Current liabilities	**–**	(1,274,229)
Net assets	**–**	1,482,821
Share of jointly-controlled entities' results:		
Revenue	**84,644**	197,640
Cost of sales	**(67,250)**	(109,458)
Gross profit	**17,394**	88,182
Other revenue	**3,058**	6,821
General and administrative expenses	**(69,351)**	(67,004)
Finance costs	**(85,582)**	(159,415)
Share of profits of associates, net	**9,286**	23,557
Loss on early redemption		
– TGIL preferred shares	**(1,108,612)**	–
– TGIL Notes Due 2014	**(167,270)**	–
Loss before tax	**(1,401,077)**	(107,859)
Income tax expense	**(230)**	(594)
Loss after tax	**(1,401,307)**	(108,453)

22. INVENTORIES

At 31 December 2012, the Group had oil products of HK$43,789,000 (2011: HK$660,000) and there was no supplies for onshore storage operations (2011: HK$2,231,000).

In addition, the Group had supplies of HK$43,688,000 (2011: HK$133,671,000) for shipbuilding and building of ship repair facilities operations, which amount is included in assets of a disposal group classified as held for sale at 31 December 2012 as set out in note 5(c).

During the year, the Group had supplies or oil products of HK$1,968,000 for onshore storage operations which was deconsolidated from the financial statements of the Group as set out in note 9(a).

23. ACCOUNTS RECEIVABLE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(a) Accounts receivables

	Group	
	2012	2011
	HK$'000	HK$'000
Accounts receivable	**24,577**	99,073
Impairments	**(22,740)**	(15,572)
	1,837	83,501

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. On this basis and the fact that the Group's accounts receivable relate to a large number of diversified customers, there are no significant concentrations of credit risk. Accounts receivable are non-interest-bearing.

An aged analysis of accounts receivable as at the end of the reporting period, based on the dates of recognition of the sales and net of provisions, is as follows:

	2012	2011
	HK$'000	HK$'000
1 to 3 months	**1,345**	57,019
4 to 6 months	**231**	19,211
7 to 12 months	**261**	5,058
Over 12 months	**–**	2,213
	1,837	83,501

As at 31 December 2011, accounts receivable in a disposal group (note 5c) included HK$98,540,000 which was aged over twelve months and was more than three months past due. It was subsequently settled during 2012.

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23. ACCOUNTS RECEIVABLE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(a) Accounts receivables (Continued)

The movements in the provision for impairments of accounts receivable are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 January	**15,572**	16,240
Impairment losses recognised/(reversed) (note 7)	**7,166**	(668)
Exchange realignments	**2**	–
At 31 December	**22,740**	15,572

Included in the above provision for impairment of account receivables is a provision for individually impaired accounts receivables of HK$22,740,000 (2011: HK$15,572,000) with a carrying amount before provision of HK$24,577,000 (2011: HK$17,448,000). These receivables relate to customers in default and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the accounts receivable that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**1,345**	57,019
Less than 3 months past due	**–**	19,211
More than 3 months past due	**492**	5,394
	1,837	81,624

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there has been no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have good track records with the Group. Based on past experience, the directors of the Company are of the opinion that no provisions for impairments are necessary in respect of these balances as there have not been significant changes in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

23. ACCOUNTS RECEIVABLE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

(b) Prepayments, deposits and other receivables

At 31 December 2012, included in the Group's prepayments, deposits and other receivables are prepayments of HK$570,000 (2011: HK$20,732,000), deposits of HK$13,745,000 (2011: HK$20,633,000) and other receivables of HK$232,774,000 (2011: HK$129,359,000). Included in other receivables of HK$208,635,000 were balances from the liquidator of TGIL.

At 31 December 2012, the Group has recognised an impairment loss of HK$39,337,000 on prepayments, deposits and other receivables in continuing operations, base on estimated irrecoverable amounts determined by reference to past experience.

At 31 December 2012, included in the assets of a disposal group classified as held for sale was prepayments, deposits and other receivables of Titan Quanzhou Shipyard with net carrying amount of approximately HK$51,625,000. The Group has recognised an impairment loss of HK$107,013,000 (2011: HK$Nil) on prepayments, deposits and other receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

During the year ended 31 December 2012, impairments have been made for the amounts due from deconsolidated jointly-controlled entity due to highly unrecoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the deconsolidated jointly-controlled entity. Accordingly, impairment losses of HK$161,412,000 (2011: HK$Nil) were recognised during the year and has been included in gain on deconsolidation of a jointly-controlled entity as set out in note 9(a).

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24. CONTRACTS IN PROGRESS

	Group 2012 HK$'000	Group 2011 HK$'000
Direct costs incurred plus recognised profits less recognised losses to date	–	203,876
Less: Direct costs incurred plus recognised profits less recognised losses to date, reclassified as assets held for sale (note 5(c))	–	(203,876)
	–	–

25. FINANCIAL GUARANTEE CONTRACTS

In 2012, the carrying value of financial guarantee contracts arising from financial guarantees granted by the Company to (i) a bank for a loan to a subsidiary of the Group, (ii) shipowners for charter hire expenses of a subsidiary of the Group in accounts payable and (iii) the K-Line Notes Due 2013, aggregated amounted to HK$102,117,000 (2011: HK$50,404,000 (restated)). The financial guarantee contract are eliminated on consolidation but are reflected in the Company's statement of financial position.

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

	Group 2012 HK$'000	Group 2011 HK$'000	Company 2012 HK$'000	Company 2011 HK$'000
Cash and bank balances	191,282	193,197	264	847
Time deposits	535,767	1,091,503	–	–
	727,049	1,284,700	264	847
Less: Amounts pledged for banking facilities (note 27(ii)) and restricted cash:				
Bank balances	(68,722)	(33,415)	–	–
Time deposits	(26,452)	(26,412)	–	–
Time deposits with original maturities of more than three months	(509,315)	(1,065,091)	–	–
	(604,489)	(1,124,918)	–	–
Cash and cash equivalents	122,560	159,782	264	847

26. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND RESTRICTED CASH (Continued)

At the end of the reporting period, including those classified under assets of a disposal group classified as held for sale, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$529,089,000 (2011: HK$1,312,630,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the market short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent default history.

27. INTEREST-BEARING BANK LOANS

	Group					
	2012			2011		
Group	**Effective interest rate (%)**	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured	**1.75-5.00**	**2013**	**118,049**	2.16-5.94	2012	1,400,954
Bank loans – unsecured	**6.99-7.62**	**2012-2013**	**66,657**	4.74-6.94	2012	208,895
			184,706			1,609,849
Non-current						
Bank loans – secured	**–**	**–**	**–**	5.91-5.94	2013-2019	889,688
			184,706			2,499,537

	Group	
	2012	2011
	HK$'000	HK$'000
Bank loans repayable:		
Within one year	**184,706**	1,609,849
In the second year	**–**	143,188
In the third to fifth years, inclusive	**–**	527,001
Beyond five years	**–**	219,499
	184,706	2,499,537

As at 31 December 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$351,797,000 (2011: HK$137,407,000).

The bank loans amounted to HK$351,797,000 have been default during the year ended 31 December 2012 and the Company was continually in discussions with banks on the terms of the settlement.

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27. INTEREST-BEARING BANK LOANS (Continued)

Certain of the Group's bank loans, including those classified as held for sale are secured by:

(i) construction in progress with an aggregate carrying value of HK$811,295,000 (2011: HK$901,532,000);

(ii) bank balances and deposits of HK$578,019,000 (2011: HK$1,065,091,000);

(iii) machinery with an aggregate net carrying value of HK$97,526,000 (2011: HK$218,405,000);

(iv) buildings with an aggregate net carrying value of HK$454,039,000 (2011: HK$480,354,000);

(v) prepaid land/seabed lease payments with an aggregate net carrying value of HK$330,380,000 (2011: HK$914,917,000);

(vi) storage facilities with an aggregate net carrying value of HK$1,562,576,000 at 31 December 2011 but such security was released due to the deconsolidation of TGIL during the year ended 31 December 2012;

(vii) corporate guarantees executed by the Company and its subsidiaries; and

(viii) personal guarantees executed by a former related party and a former director of the Company.

The carrying amounts of the Group's current and floating rate loans approximate to their fair values. The carrying amounts and the fair values of the Group's non-current and fixed rate loans are as follows:

	Carrying amount		**Fair value**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans – secured	–	889,688	–	815,120

The fair values of the bank loans of the Group are estimated by discounting the expected future cash flows at prevailing interest rates.

28. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

An aged analysis of the accounts and bills payable as at the end of the reporting period, based on the date of receipt of goods purchased, is as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
1 to 3 months	**88,062**	176,942	**–**	–
4 to 6 months	**44,434**	109,681	**–**	–
7 to 12 months	**82,036**	101,767	**–**	–
Over 12 months	**187,943**	81,449	**–**	–
	402,475	469,839	**–**	–
Other payables and accruals	**1,236,530**	1,321,970	**1,051,133**	918,418
	1,639,005	1,791,809	**1,051,133**	918,418

Accounts payable are non-interest-bearing. Other payables and accruals are non-interest-bearing and have an average term of three months. Included in other payables and accruals is an amount of RMB740,000,000 (equivalent to approximately HK$918,304,000) (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 43(e).

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

Pursuant to an indenture dated 17 March 2005 entered into by the Company, together with certain subsidiaries of the Company, which guarantee the issue of the Senior Notes Due 2012 (the "Subsidiary Guarantors") with Deutsche Bank Trust Company Americas as the original trustee and the trustee subsequently changed to the Bank of New York Mellon in 2010, the Company issued the Senior Notes Due 2012 in the aggregate principal amount of US$400 million (equivalent to approximately HK$3,120 million) with directly attributable transaction costs of HK$90,709,000. The Senior Notes Due 2012 were due on 18 March 2012 with a lump sum repayment, unless redeemed earlier pursuant to specified terms. 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 obligations of the Company under the Senior Notes Due 2012 are guaranteed by the Subsidiary Guarantors and a pledge of the shares of the Subsidiary Guarantors. The list of subsidiaries comprising the Subsidiary Guarantors and the shares pledged are more fully described in the Company's announcement dated 11 March 2005 together with details of the principal terms of the Senior Notes Due 2012.

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

On 28 July 2010 (27 July 2010, New York City Time), the Company issued US$78,728,000 (equivalent to approximately HK$614,078,000) aggregate principal amount of the Convertible Notes Due 2015 and US$14,193,000 (equivalent to approximately HK$110,705,000) aggregate principal amount of the PIK Notes Due 2015, and paid US$43,154,940 (equivalent to approximately HK$336,609,000) in cash, in exchange for an aggregate principal amount of the Senior Notes Due 2012 for US$209,490,000 (equivalent to approximately HK$1,634,022,000). As a result, the Company recognised a gain on the restructuring of the Senior Notes Due 2012 of HK$476,495,000 in 2010.

As at 31 December 2012, the effective interest rate on the Senior Notes Due 2012 was 8.5% per annum. The outstanding principal in respect of the Senior Notes Due 2012 as at 31 December 2012 and 2011 was US$105,870,000 (equivalent to approximately HK$825,786,000), while the fair value of the Senior Notes Due 2012 as at 31 December 2012 and 2011 was US$28,453,000 (equivalent to approximately HK$221,933,000) and US$75,962,000 (equivalent to approximately HK$592,504,000), respectively.

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.

30. 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. This implies an initial conversion price (subject to adjustments) of US$0.0916 (equivalent to approximately HK$0.7145) per conversion share. Conversion may occur on any day prior to (and including) the seventh business day prior to the maturity date of the Convertible Notes Due 2015.

Pursuant to the terms of the Convertible Notes Due 2015 indenture, the obligations of the Company under the Convertible Notes Due 2015 are guaranteed by certain subsidiary guarantors and a pledge of the subsidiary guarantors shares. Details of the principal terms of the Convertible Notes Due 2015 are more fully described in the Company's announcement dated 9 June 2010.

During the year, none of the Convertible Notes Due 2015 were converted into ordinary shares. In the prior year, the 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 US$0.0916 (equivalent to approximately HK$0.7145) per share.

Also in the prior year, an aggregate principal amount of US$10,097,000 (equivalent to approximately HK$78,757,000) in the Convertible Notes Due 2015 were repurchased by the Company for an aggregate consideration of US$9,782,000 (equivalent to approximately HK$76,299,000), resulting in a net loss on repurchases, after writing off unamortised transaction costs, of HK$61,000.

30. GUARANTEED SENIOR CONVERTIBLE NOTES (THE "CONVERTIBLE NOTES DUE 2015") (Continued)

The Convertible Notes Due 2015 comprise a financial liability at amortised cost and an embedded derivative. The effective interest rate on the Convertible Notes Due 2015 was 18.66% per annum. At 31 December 2011, the fair value of the embedded derivatives liability are HK$27,212,000 and this was subsequently derecognised in 2012.

As set out in note 43, 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 Convertible Notes Due 2015.

At 31 December 2012, the outstanding principal of the Convertible Notes Due 2015 was US$47,960,000 (equivalent to approximately HK$374,088,000) (2011: US$47,960,000 (equivalent to approximately HK$374,088,000)).

31. 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.

Pursuant to the terms of the PIK Notes Due 2015 indenture, the obligations of the Company under the PIK Notes Due 2015 are guaranteed by certain subsidiary guarantors and carry a pledge of the shares of such subsidiaries. Details of the principal terms of the PIK Notes Due 2015 are more fully described in the Company's announcement dated 9 June 2010.

In the prior year, the PIK Notes Due 2015 with an aggregate principal amount of US$1,040,000 (equivalent to approximately HK$8,112,000) were repurchased by the Company at an aggregate consideration of US$1,040,000 (equivalent to approximately HK$8,112,000), resulting in a net loss on repurchases, after write off of unamortised transaction costs, of HK$214,000.

The PIK Notes Due 2015 are carried at amortised cost with an effective interest rate of 11.03% per annum (2011: 11.03%). At 31 December 2012 and 2011, the outstanding principal of the PIK Notes Due 2015 was US$11,376,541 (equivalent to approximately HK$88,737,000) and US$10,467,868 (equivalent to approximately HK$81,649,000), respectively.

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.

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32. CONVERTIBLE PREFERRED SHARES

	Group		Company	
	Equity portion HK$'000	Liability portion HK$'000	Equity portion HK$'000	Liability portion HK$'000
(a) Titan preferred shares				
At 1 January 2011	75,559	325,321	75,559	325,321
Add: Dividends on convertible preferred shares (classified as financial liabilities) (note 8)	–	37,855	–	37,855
At 31 December 2011 and 1 January 2012	**75,559**	**363,176**	**75,559**	**363,176**
Add: Dividends on convertible preferred shares (classified as financial liabilities) (note 8)	**–**	**28,326**	**–**	**28,326**
Less: Transfer to accumulated losses upon redemption of Titan preferred shares (note 39)	**(75,559)**	**–**	**(75,559)**	**–**
At 31 December 2012	**–**	**391,502**	**–**	**391,502**
(b) TGIL preferred shares				
At 1 January 2011	517,837	394,010	–	–
Add: Dividends on convertible preferred shares (classified as financial liabilities) (note 8)	–	37,721	–	–
Less: Deemed disposals of partial interest in a jointly-controlled entity	(40,754)	(32,799)	–	–
At 31 December 2011 and 1 January 2012	**477,083**	**398,932**	**–**	**–**
Add: Dividends on convertible preferred shares (note 8)	**–**	**16,655**	**–**	**–**
Loss on early redemption (note 5(c))	**–**	**1,013,937**	**–**	**–**
Less: Deemed disposals of partial interest in a jointly-controlled entity	**–**	**(2,989)**	**–**	**–**
Realised on deemed disposals of partial interest in a jointly-controlled entity	**(3,470)**	**–**	**–**	**–**
Deconsolidation of a jointly-controlled entity (note 9(a))	**–**	**(1,426,535)**	**–**	**–**
Realised on deconsolidation of a jointly-controlled entity	**(473,613)**	**–**	**–**	**–**
At 31 December 2012	**–**	**–**	**–**	**–**

32. CONVERTIBLE PREFERRED SHARES (Continued)

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 the jointly-controlled entity, respectively.

Titan preferred shares were redeemable (1) at any time on or after the fifth anniversary of the date of issue at a price equal to 100% of their initial subscription price (if redeemed at the election of the holders) or 175% of their initial subscription price (if redeemed at the election of the Company) in each case together with any accrued and unpaid dividends; or (2) on the occurrence of a redemption event and at the election of the holders of the Titan preferred shares at a price equal to the higher of 175% of their initial subscription price or the aggregate market price of the number of the Company's shares into which those Titan preferred shares being redeemed can be converted, if they were converted on the date of the notice of redemption, together with any accrued and unpaid dividends provided that this redemption right could be exercised so long as any of the Senior Notes Due 2012 remained outstanding except in the case of a change of control redemption event, but only if a change of control triggering event occurred and the Company complied with its obligations under the Senior Notes Due 2012 in respect of such an event.

The redemption events (the "Redemption Events") included:

(a) Titan Oil ceasing directly or indirectly through its subsidiaries or nominees to own 35% or more of the Company's ordinary shares;*

(b) Titan Oil ceasing directly or indirectly through its subsidiaries or nominees to be the single largest shareholder of the Company (other than in circumstances where Warburg Pincus or its associates (as that term is defined in the Listing Rules) is or are together such single largest shareholder);*

(c) the former chairman of the Company, Mr. Tsoi Tin Chun, ceasing to be a controlling shareholder of Titan Oil (other than as a result of a temporary reduction of shareholding to facilitate a vendor top up placing by the Company);*

(d) the Company ceasing directly or indirectly through its subsidiaries or nominees to be the single largest shareholder of TGIL (other than as a result of the exercise of the TGIL's warrant); and

(e) the occurrence of specified events which are related to the insolvency of the Company or the initiation of insolvency or liquidation proceedings by or against the Company or events of default under the Senior Notes Due 2012 occurring; and an equity instrument (the conversion right, i.e. the holder's right to call for shares of the issuer).

* Since the redemption events related to a change of significant shareholding of the substantial shareholder in the Company, the substantial shareholders (Titan Oil and Mr. Tsoi) of the Company have signed a deed of undertaking pursuant to which the substantial shareholders (Titan Oil and Mr. Tsoi) undertook to indemnify the Company in respect of any loss to the Company (as defined in the deed of undertaking) arising from the exercise of the redemption right of the holders of the Titan Preferred Shares on the occurrence of the Redemption Events.

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32. CONVERTIBLE PREFERRED SHARES (Continued)

The TGIL preferred shares were redeemable on the occurrence of a Redemption Event and at the election of the holders of the TGIL preferred shares (provided that TGIL's warrants were not exercised) at a price equal to the higher of 175% of their initial subscription price or the market value (to be determined by an independent investment bank) of TGIL's ordinary shares into which those the TGIL preferred shares being redeemed can be converted (subject to a cap of HK$2,730 million upon the full redemption of the TGIL preferred shares), as if they were converted on the date of the notice of redemption, together with any accrued and unpaid dividends.

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 the equity portion of the TGIL preferred shares were transferred to accumulated losses.

In addition, as described in note 2.2, the TGIL preferred shares were derecognised upon deconsolidation of jointly-controlled entity.

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. As a result, the equity portion of the Titan preferred shares were transferred to the accumulated losses upon redemption during the year.

33. NOTES PAYABLE (THE "K-LINE NOTES DUE 2013")

On 5 August 2008, the Group signed an agreement with Kawasaki Kisen Kaisha Ltd ("K-Line") for K-Line to purchase notes for US$25 million (equivalent to approximately HK$195 million) with an interest rate of 1% per annum. Prior to 31 March 2013, at the sole option of the Company, the notes were exchangeable for up to 5% of the issued share capital of one of its subsidiaries, TQSL Holding, which holds Titan Quanzhou Shipyard in Mainland China.

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

33. NOTES PAYABLE (THE "K-LINE NOTES DUE 2013") (Continued)

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

The proposed disposal of Titan Quanzhou Shipyard as mentioned in note 5(a) may trigger the early redemption clause under which K-Line has the right of early redemption of the notes at the Applicable Redemption Amount. As a result, the K-Line Notes Due 2013 became repayable on demand and were classified as current liabilities at 31 December 2010. The directors of the Company do not expect K-Line has any intention to withdraw or recall their investment in Titan Quanzhou Shipyard and their K-Line Notes Due 2013, because the Company continues to manage the business operation of Titan Quanzhou Shipyard subsequent to the disposal and until the year ended 31 December 2012 as described in note 5(a).

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

The K-Line Notes Due 2013 comprised a financial liability at amortised cost and an embedded derivative. As at 31 December 2012, the fair value of the embedded derivatives asset was HK$176,049,000 (2011: HK$18,286,000).

On 31 March 2013, the Company did not redeem the K-Line Notes due 2013 in full at cash at the applicable redemption amount.

34. LOAN FROM A SHAREHOLDER

On 24 October and 19 December 2012, the Group received a loan aggregating of HK$9,700,000 from a shareholder, Fame Dragon. The loan is unsecured, carries an interest rate of 2% per annum and is repayable in full within one year after the loan received. Details of the loan were set out in the Company's announcement dated 30 October 2012 and the loan was settled in full on 24 January 2013.

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

On 14 July 2009, the Company, 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$312,600,000 (equivalent to approximately US$40,100,000) through the subscription of the TGIL Notes Due 2014.

Interest was to accrue at 1% per annum, but if TOSIL did not exercise its option to subscribe for the notes, interest at 5% per annum was to be charged from the date on which TOSIL's option to subscribe expires. The notes were to mature five years after the date of issue. Holders of the notes were entitled to convert the whole of the notes into TGIL's shares at the initial conversion price of HK$1,953.90 (equivalent to US$250.50), subject to adjustments at any time from the first anniversary of the date of issue.

On the same date, 14 July 2009, Warburg Pincus exercised its option to subscribe for the TGIL Notes Due 2014 in the principal amount of HK$156,000,000 (equivalent to US$20,000,000). The fair values of the liability portion and embedded derivative of the TGIL Notes Due 2014 were estimated at the issuable date. The residual amount of HK$85,015,000 of the TGIL Notes Due 2014 was assigned as the equity portion and was included in the equity portion of the TGIL Notes Due 2014 in the jointly-controlled entity.

On 13 January 2011, TOSIL exercised its right to subscribe for the TGIL Notes Due 2014 in the principal amount of HK$156,600,000 (equivalent to approximately US$20,100,000) and the subscription was completed when the relevant TGIL Notes Due 2014 were issued on 21 January 2011. Further details are included in the Company's announcement dated 13 January 2011.

The liability portion of the TGIL Notes Due 2014 was comprised of a financial liability at amortised cost and an embedded derivative and as at 31 December 2011, the fair value of the embedded derivative liability was HK$348,000.

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. In addition, the TGIL Notes Due 2014 were derecognised upon deconsolidation of a jointly-controlled entity as described in note 2.2.

36. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

Group	Accelerated capital allowances HK$'000	Group fair value adjustments arising from acquisition of subsidiaries HK$'000	Total HK$'000
At 1 January 2011	4,382	41,236	45,618
Deferred tax credited to the consolidated income statement during the year (note 12)	(1,958)	–	(1,958)
Deemed disposals of partial interest in a jointly-controlled entity	–	(3,245)	(3,245)
Exchange realignment	40	–	40
At 31 December 2011 and 1 January 2012	**2,464**	**37,991**	**40,455**
Deemed disposals of partial interest in a jointly-controlled entity	**–**	**(277)**	**(277)**
Deconsolidation of a jointly-controlled entity (note 9(a))	**–**	**(37,714)**	**(37,714)**
Deferred tax credited to the consolidated income statement during the year (note 12)	**(2,571)**	**–**	**(2,571)**
Exchange realignment	**107**	**–**	**107**
At 31 December 2012	**–**	**–**	**–**

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group, therefore, became liable to withhold taxes on dividends distributed by subsidiaries and jointly-controlled entities established in Mainland China in respect of earnings generated from 1 January 2008.

At the end of the reporting period, the Group and the Company have unused tax losses of HK$1,040,691,000 (2011: HK$1,021,928,000) and HK$11,661,000 (2011: HK$1,587,000), respectively, available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

At 31 December 2012 and 2011, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries, associates and jointly-controlled entities established in Mainland China. In the opinion of the directors, it is unlikely that these subsidiaries, associates and jointly-controlled entities will distribute such earnings in the foreseeable future. At 31 December 2012 and 2011, there were no significant unrecognised deferred tax liabilities for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or jointly-controlled entities as the Group had no material liabilities for additional taxes should such amounts be remitted.

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37. SHARE CAPITAL

Shares

	Group			
	2012		2011	
	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 31 December	**14,445,000,000**	**144,450**	14,445,000,000	144,450
Convertible preferred shares of HK$0.01 each at 31 December	**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 (Note (b))	**–**	**–**	10,260,000	103
Conversion of the Convertible Notes Due 2015 (Note (a))	**–**	**–**	43,561,764	436
Ordinary shares of HK$0.01 each at 31 December	**7,820,554,682**	**78,206**	7,820,554,682	78,206
Convertible preferred shares of HK$0.01 each at 1 January and 31 December	**555,000,000**	**5,550**	555,000,000	5,550

Notes:

a) During the year ended 31 December 2012, none of the Convertible Notes Due 2015 were converted into ordinary shares. In the prior year, the 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.

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

In 2011, certain share options granted on 1 February 2008 were exercised for 10,260,000 ordinary shares (with a par value of HK$0.01 each) at an exercise price of HK$0.45 per share.

Share option scheme

Details of the Company's share option schemes and the movements in share options issued by the Company are included in note 38 to the consolidated financial statements.

38. SHARE OPTION SCHEME

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

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 20 June 2011, the Company adopted a new share option scheme (the "New Share Option Scheme") and terminated the 2002 Share Option Scheme (the 2002 Share Option Scheme and the New Share Option Scheme, collectively, are referred to as the "Schemes").

(a) Summary of the Schemes

i. Purposes of the Schemes

The purposes of the Schemes are to provide a flexible means of attracting and retaining talent together with giving incentive to, rewarding and motivating the participants who have made or may make contributions to the long term success of the Group.

ii. Participants in the Schemes

Pursuant to the 2002 Share Option Scheme, the Company may grant options to (i) full time employees and directors of the Company and its subsidiaries; and (ii) any suppliers, consultants, agents and advisors of the Group.

Pursuant to the New Share Option Scheme, the participants include (i) directors (including executive directors, non-executive directors or independent non-executive directors) of any member of the Group or any invested entity; (ii) employees and executives (whether full time or part-time) of any member of the Group or any invested entity; and (iii) consultants, advisers, business partners, joint venture partners, agents, suppliers and customers to any member of the Group or any invested entity.

iii. Total number of ordinary shares available for issue under the Schemes

The total number of ordinary shares of the Company ("Shares") which may be issued upon exercise of all options to be granted under the Schemes shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the New Share Option Scheme (i.e. 780,240,218 Shares, which represents approximately 9.98% of the issued share capital of Company at the date of approval of the financial statements).

The maximum number of Shares which may be issued upon exercise of outstanding options granted and yet to be exercised under the Schemes shall not exceed 30% of the total number of Shares in issue from time to time.

iv. Maximum entitlement of each participant

Pursuant to the Schemes, the maximum number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

38. SHARE OPTION SCHEME (Continued)

(a) Summary of the Schemes (Continued)

v. Time of exercise of options

Pursuant to the Schemes, an option may be exercisable at any time during the option period, which to be determined by the Board at its absolute discretion, but in any event no later than 10 years from the date of the offer.

vi. Amount payable on acceptance

Pursuant to the Schemes, a non-refundable nominal consideration of HK$1.00 is payable by the grantee upon acceptance of an option.

vii. Basis of determining the subscription price

Pursuant to the Schemes, the subscription price shall be determined by the board of directors at its discretion and shall not be less than the highest of:

i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of the offer;

ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and

iii) the nominal value of a Share.

viii. Remaining life of the Schemes

The 2002 Share Option Scheme has no remaining life as it was terminated on 20 June 2011 but the provisions of the 2002 Share Option Scheme shall in all other respects remain in full force and effect and options granted during the life of the 2002 Share Option Scheme may continue to be exercisable in accordance with its respective terms of issue.

The New Share Option Scheme will continue to be in full force and effect for a period of 10 years commencing on 20 June 2011.

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38. SHARE OPTION SCHEME (Continued)

(b) Share Option Movements

i. *2002 Share Option Scheme*

The following table discloses movement of the Company's share options under the 2002 Share Option Scheme held by employees and directors during the year:

Name or category of participant	Number of share option: At 1 January 2012	Granted during the year	Lapsed during the year	Exercised during the year	At 31 December 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	–	(1,605,000)	–	7,975,000	20 February 2006	20 February 2008 to 19 February 2013	0.72
	15,290,000	–	(8,240,000)	–	7,050,000	1 February 2008	1 February 2010 to 31 January 2015	0.45
	74,520,000	–	(41,324,000)	–	33,196,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	47,120,000	–	(22,414,000)	–	24,706,000	1 February 2008	1 February 2012 to 31 January 2017	0.45
	42,600,000	–	(15,612,000)	–	26,988,000	1 February 2008	1 February 2013 to 31 January 2018	0.45
	198,690,000	–	(98,775,000)	–	99,915,000			
	218,690,000	–	(98,775,000)	–	119,915,000			

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38. SHARE OPTION SCHEME (Continued)

(b) Share Option Movements (Continued)

i. 2002 Share Option Scheme (Continued)

The following table discloses movement of the Company's share options under the 2002 Share Option Scheme in the prior year:

Name or category of participant	Number of share options: At 1 January 2011	Granted during the year	Lapsed during the year	Exercised during the year***	At 31 December 2011	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$
Director								
Mr. Patrick Wong Siu Hung	10,000,000	–	–	–	10,000,000	1 February 2008	1 February 2010 to 31 January 2015	0.45
	10,000,000	–	–	–	10,000,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	20,000,000	–	–	–	20,000,000			
Other employees								
In aggregate	9,580,000	–	–	–	9,580,000	20 February 2006	20 February 2007 to 19 February 2012	0.72
	9,580,000	–	–	–	9,580,000	20 February 2006	20 February 2008 to 19 February 2013	0.72
	15,920,000	–	–	(630,000)	15,290,000	1 February 2008	1 February 2010 to 31 January 2015	0.45
	85,850,000	–	(1,700,000)	(9,630,000)	74,520,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	51,100,000	–	(3,980,000)	–	47,120,000	1 February 2008	1 February 2012 to 31 January 2017	0.45
	47,000,000	–	(4,400,000)	–	42,600,000	1 February 2008	1 February 2013 to 31 January 2018	0.45
	219,030,000	–	(10,080,000)	(10,260,000)	198,690,000			
	239,030,000	–	(10,080,000)	(10,260,000)	218,690,000			

* 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 (i.e. the date before grant) 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 (i.e. the date before grant) was HK$0.435.

** The exercise price of the share options is subject to adjustments in the case of rights or bonus issues, or other similar changes in the share capital of the Company.

*** The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$0.615.

38. SHARE OPTION SCHEME (Continued)

(b) Share Option Movements (Continued)

i. 2002 Share Option Scheme (Continued)

During the year, no share options were cancelled under the 2002 Share Option Scheme.

At the end of the reporting period, the Company had outstanding share options for the subscription of 119,915,000 ordinary shares under the 2002 Share Option Scheme. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 119,915,000 additional ordinary shares of the Company and additional share capital of HK$1,199,150 and share premium of HK$54,915,850 (before issue expenses).

ii. New Share Option Scheme

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

(c) Movements in the number of shares issuable under options granted and their related weighted average exercise prices were as follows:

	2012		2011	
	Weighted average exercise price per share HK$	**Number of shares issuable under options**	Weighted average exercise price per share HK$	Number of shares issuable under options
Outstanding at 1 January	**0.474**	**218,690,000**	0.472	239,030,000
Exercised	**–**	**–**	0.450	(10,260,000)
Lapsed	**0.481**	**(98,775,000)**	0.450	(10,080,000)
Outstanding at 31 December	**0.468**	**119,915,000**	0.474	218,690,000

At 31 December 2012, out of the 119,915,000 outstanding options (31 December 2011: 218,690,000), none of the options were vested and exercised. At 31 December 2011, 128,970,000 options, were vested and exercisable at a weighted average exercise price of HK$0.490 per share.

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39. RESERVES

(a) Group

	Notes	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 2011		2,437,224	18,261	38,194	559	57,399	274,126	(1,845,701)	980,062
Total comprehensive income/(loss) for the year		–	–	–	–	–	161,931	(783,332)	(621,401)
Equity-settled share option arrangements		–	–	2,470	–	–	–	–	2,470
Transfer to accumulated losses upon lapse of share options after vesting period		–	–	(269)	–	–	–	269	–
Exercise of share options		6,105	–	(1,617)	–	–	–	–	4,488
Conversion of the Convertible Notes Due 2015		29,912	–	–	–	–	–	–	29,912
Realised on deemed disposals of partial interest in a jointly-controlled entity		–	–	–	–	–	(4,803)	–	(4,803)
At 31 December 2011 and 1 January 2012		**2,473,241**	**18,261**	**38,778**	**559**	**57,399**	**431,254**	**(2,628,764)**	**390,728**
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**–**	**(30,473)**	**(3,977,144)**	**(4,007,617)**
Share option expenses		**–**	**–**	**1,069**	**–**	**–**	**–**	**–**	**1,069**
Realised on deemed disposal of partial interest in a jointly-controlled entity		**–**	**–**	**–**	**–**	**–**	**(4)**	**–**	**(4)**
Transfer of equity portion of convertible preferred shares and convertible unsecured notes upon redemption		**–**	**–**	**–**	**–**	**–**	**–**	**558,010**	**558,010**
Realised on deconsolidation of a jointly-controlled entity		**–**	**–**	**–**	**(559)**	**(57,399)**	**(234,524)**	**57,958**	**(234,524)**
Transfer of the Titan preferred shares to accumulated losses upon redemption	32	**–**	**–**	**–**	**–**	**–**	**–**	**75,559**	**75,559**
Transfer to accumulated losses upon lapse of share options after vesting periods		**–**	**–**	**(19,676)**	**–**	**–**	**–**	**19,676**	**–**
Transfer to PRC statutory reserve		**–**	**–**	**–**	**175**	**–**	**–**	**(175)**	**–**
At 31 December 2012		**2,473,241**	**18,261**	**20,171**	**175**	**–**	**166,253**	**(5,894,880)**	**(3,216,779)**

39. RESERVES (Continued)

(a) Group (Continued)

Share premium

The application of share premium is governed by Section 40 of the Act. 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.

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39. RESERVES (Continued)

(b) Company

	Notes	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011		2,437,224	60,916	38,194	(993,631)	1,542,703
Total comprehensive loss for the year	13	–	–	–	(645,926)	(645,926)
Equity-settled share option arrangements		–	–	2,470	–	2,470
Transfer to accumulated losses upon lapse of share options after vesting period		–	–	(269)	269	–
Exercise of share options		6,105	–	(1,617)	–	4,488
Conversion of the Convertible Notes Due 2015		29,912	–	–	–	29,912
At 31 December 2011 and 1 January 2012		**2,473,241**	**60,916**	**38,778**	**(1,639,288)**	**933,647**
Total comprehensive loss for the year	13	**–**	**–**	**–**	**(4,079,718)**	**(4,079,718)**
Share option expenses		**–**	**–**	**1,069**	**–**	**1,069**
Transfer to accumulated losses upon lapse of share options after vesting period		**–**	**–**	**(19,676)**	**19,676**	**–**
Transfer of the Titan preferred shares to accumulated losses upon redemption	32	**–**	**–**	**–**	**75,559**	**75,559**
At 31 December 2012		**2,473,241**	**60,916**	**20,171**	**(5,623,771)**	**(3,069,443)**

Share premium

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

Contributed surplus

The contributed surplus of the Company represents the excess of the fair values of the shares of the subsidiaries acquired, pursuant to the same Group reorganisation referred to above, over the norminal value of the Company's shares issued in exchange therefore. Under the Act, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

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.

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

At 31 December 2012, the Group did not lease out any vessels and leasehold land and buildings under operating lease arrangements to third parties.

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:

	Group	
	2012	2011
	HK$'000	HK$'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

(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:

	Group	
	2012	2011
	HK$'000	HK$'000
Vessels		
Within one year	**55,517**	365,348
In the second to fifth years, inclusive	**104,294**	437,544
	159,811	802,892
Office premises		
Within one year	**8,626**	11,704
In the second to fifth years, inclusive	**13,107**	17,933
Beyond five years	**–**	61,605
	21,733	91,242
	181,544	894,134

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41. COMMITMENTS

	Group 2012 HK$'000	2011 HK$'000
Commitments for construction of oil berthing and storage facilities of a jointly-controlled entities in Mainland China	–	14,084
Commitment for shipbuilding and ship repair facilities in Mainland China*	**846,408**	867,397
	846,408	881,481

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

	Company 2012 HK$'000	2011 HK$'000
Capital contribution commitments for a subsidiary in Mainland China	–	234,000

42. GUARANTEES

As at 31 December 2012, guarantees in the aggregate amount of HK$314,478,000 (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 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$102,117,000 (31 December 2011 (restated): HK$50,404,000) has been recognised in the Company's statement of financial position.

As at 31 December 2012, guarantees in the aggregate amount of RMB44,000,000 (equivalent to approximately HK$54,602,000) had been provided to a deconsolidated jointly-controlled entity by the Group for a loan. On 31 December 2012, HK$2,361,000 (31 December 2011: HK$Nil) of the guaranteed facilities for the former 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 31 December 2012 and 2011.

43. 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.

43. CONTINGENT LIABILITIES (Continued)

a) Arbitrations (Continued)

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.

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").

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43. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

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 US$6,853,032 (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").

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").

43. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

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").

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 up 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 JPLs' request; and

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43. 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 JPLs' 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 JPLs' 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.

43. 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 liquidators for, and to liquidate TGIL.

On 17 July 2012 (BVI time), the BVI Court ordered 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 above 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 appeal with the BVI Court of Appeal was stayed until 20 March 2013 (BVI time) by 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 seek, 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.

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.

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43. CONTINGENT LIABILITIES (Continued)

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 was RMB1,865,670,000 or a maximum reduced consideration of 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 notarised 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.

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 notarisation 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.

43. CONTINGENT LIABILITIES (Continued)

e) PRC Proceedings (Continued)

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 the 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.

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.

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43. CONTINGENT LIABILITIES (Continued)

e) PRC Proceedings (Continued)

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.

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 (i) 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 31 December 2012 and 31 December 2011.

44. RELATED PARTY TRANSACTIONS

As referred to elsewhere in these financial statements, the Group had the following material transactions with related parties during 2012 and 2011:

(i) Tenancy agreement with Titan Oil

In 2011, the Group entered into a tenancy agreement with Titan Oil for the lease of office premises for a term of three years commencing from 1 January 2011 until 31 December 2013. During the year, the Group paid total rent of SG$326,000 (equivalent to approximately HK$2,039,000) (2011: SG$328,000 (equivalent to approximately HK$2,042,000)) to Titan Oil for the lease of the office premises, which was charged based on prevailing market rates.

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

On 1 September 2010, a subsidiary of the Group entered into five charter agreements with Oceanic Shipping, a company incorporated in Singapore and wholly-owned by a director, to charter five vessels for a term of three years commencing from 1 September 2010 to 31 August 2013. During the year, the Group paid a total amount of US$5,095,000 (equivalent to approximately HK$39,741,000) (2011: US$12,235,000 (equivalent to approximately HK$95,433,000)) in charter fees to Oceanic Shipping. The amount was comparable to the prevailing market rates for similar bareboat charters and terms. As at 31 December 2012, there were no unpaid charter hire expenses (2011: US$4,209,000 (approximately HK$32,830,000)).

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$5,551,000 (equivalent to approximately HK$43,298,000).

44. RELATED PARTY TRANSACTIONS (Continued)

(iii) Bank guarantees

As at 31 December 2012, a personal guarantee and security of certain shares of the Company were provided by one of the directors of the Company to a bank in connection with bank loans of RMB1,419,497,000 (equivalent to approximately HK$1,762,000,000) (2011: RMB1,199,497,000 (equivalent to approximately HK$1,484,880,000)) granted to Titan Quanzhou Shipyard.

(iv) Building and sale of vessels

As at 31 December 2012, the shipbuilding subsidiary of the Group had an amount due from Titan Oil of HK$Nil, which was included in accounts receivable of assets of a disposal group classified as held for sale (2011: HK$98,540,000) relating to the building and sale of vessels to Titan Oil. The amount in 2011 was unsecured, interest-free and with fixed repayment schedule.

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

As at 31 December 2012, the Group had an amount due from a subsidiary of Titan Oil of RMB874,000 (equivalent to approximately HK$1,085,000), an amount due to a subsidiary of Titan Oil of RMB14,319,000 (equivalent to approximately HK$17,770,000) (2011: an amount due to a subsidiary of Titan Oil of US$141,000 (equivalent to approximately HK$1,098,000)) which were unsecured, interest-free and had no fixed terms of repayment.

(vi) Loan from a shareholder

As at 31 December, 2012, the Group had a loan due from Fame Dragon in the principal amount of HK$9,700,000 and interest accrued of HK$30,000. The loan was unsecured, carried interest at 2% per annum and was repayable within 1 year. The loan was subsequently repaid in January 2013.

(vii) Compensation of key management personnel of the Group

	2012 HK$'000	2011 HK$'000
Short term employee benefits	**7,145**	4,591
Post-employment benefits	**31**	34
Equity-settled share option expenses	**–**	31
Total compensation paid to key management personnel	**7,176**	4,656

Further details of directors' emoluments are included in note 10 to the financial statements.

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45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets

	Financial assets at fair value through profit or loss		Loans and receivables		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amount due from a jointly-controlled entity	**–**	–	**–**	25,184	**–**	25,184
Accounts receivable	**–**	–	**1,837**	83,501	**1,837**	83,501
Financial assets included in deposits and other receivables	**–**	–	**246,519**	170,724	**246,519**	170,724
Pledged deposits and restricted cash	**–**	–	**604,489**	1,124,918	**604,489**	1,124,918
Cash and cash equivalents	**–**	–	**122,560**	159,782	**122,560**	159,782
	–	–	**975,405**	1,564,109	**975,405**	1,564,109

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amount due to a jointly-controlled entity	**–**	–	**–**	12,303	**–**	12,303
Accounts and bills payable	**–**	–	**402,475**	469,839	**402,475**	469,839
Financial liabilities included in other payables and accruals	**2,361**	–	**1,221,351**	1,321,970	**1,223,712**	1,321,970
Interest-bearing bank loans	**–**	–	**184,706**	2,499,537	**184,706**	2,499,537
Loan from a shareholder	**–**	–	**9,700**	–	**9,700**	–
Senior Notes Due 2012	**–**	–	**891,871**	844,690	**891,871**	844,690
Convertible Notes Due 2015	**–**	27,212	**453,971**	301,003	**453,971**	328,215
PIK Notes Due 2015	**–**	–	**92,236**	84,483	**92,236**	84,483
Liability portion of convertible preferred shares	**–**	–	**391,502**	762,108	**391,502**	762,108
K-Line Notes Due 2013	**(176,049)**	(18,286)	**221,999**	215,750	**45,950**	197,464
TGIL Notes Due 2014	**–**	321	**–**	92,580	**–**	92,901
	(173,688)	9,247	**3,869,811**	6,604,263	**3,696,123**	6,613,510

45. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Company

Financial assets

	Financial assets at fair value through profit or loss		Loans and receivables		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts due from subsidiaries	**–**	–	**–**	3,388,604	**–**	3,388,604
Financial assets included in deposits and other receivables	**–**	–	**5**	2,935	**5**	2,935
Cash and cash equivalents	**–**	–	**264**	847	**264**	847
	–	–	**269**	3,392,386	**269**	3,392,386

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Amounts due to subsidiaries	**–**	–	**9,016**	–	**9,016**	–
Financial liabilities included in other payables and accruals	**–**	–	**1,051,133**	918,418	**1,051,133**	918,418
Financial guarantee contracts	**–**	–	**102,117**	50,404	**102,117**	50,404
Senior Notes Due 2012	**–**	–	**891,871**	844,690	**891,871**	844,690
Convertible Notes Due 2015	**–**	27,212	**453,971**	301,003	**453,971**	328,215
PIK Notes Due 2015	**–**	–	**92,236**	84,483	**92,236**	84,483
Liability portion of convertible preferred shares	**–**	–	**391,502**	363,176	**391,502**	363,176
	–	27,212	**2,991,846**	2,562,174	**2,991,846**	2,589,386

46. FAIR VALUE AND FAIR VALUE HIERARCHY

The fair values of the financial assets and liabilities are included at the amounts at which instruments could be exchanged in current transactions between willing parties, other than in a forced or liquidation sale. The methods and assumptions as set out below were used to estimate the fair values:

The fair values of accounts receivable, accounts and bills payables, financial assets included in deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries, amount due to a jointly-controlled entity, loan from a shareholder, contracts in progress, pledged deposits and restricted cash, cash and cash equivalents approximate to their carrying amounts largely due to the short term maturities of these instruments.

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46. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

At 31 December 2011, the fair values of the non-current portion of interest-bearing bank loans, the Senior Notes Due 2012, the Convertible Notes Due 2015, the PIK Notes Due 2015 and the K-Line Notes Due 2013 (collectively, the "Financial Instruments") have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risks and remaining maturities. The fair values of the liability portion of the convertible preferred shares and the TGIL Notes Due 2014 are estimated using equivalent market interest rates for similar instruments. There is no non-current position of the above financial instruments.

The fair values of embedded derivative financial instruments included under the Convertible Notes Due 2015, the K-Line Notes Due 2013 and the TGIL Notes Due 2014 are measured using valuation techniques incorporating market observable inputs.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

Group
As at 31 December 2012:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Embedded derivative financial instruments, included under K-Line Notes Due 2013	–	176,049	–	176,049

As at 31 December 2011:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Embedded derivative financial instruments, included under K-Line Notes Due 2013	–	18,286	–	18,286

The Company did not have any financial assets measured at fair value as at 31 December 2012 and 2011.

46. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

Group

As at 31 December 2012:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Embedded derivative financial instruments, included under Convertible Notes Due 2015	–	–	–	–

As at 31 December 2011:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Embedded derivative financial instruments, included under				
Convertible Notes Due 2015	–	27,212	–	27,212
TGIL Notes Due 2014	–	321	–	321
Total	–	27,533	–	27,533

Company

As at 31 December 2012:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Embedded derivative financial instruments, included under Convertible Notes Due 2015	–	–	–	–

As at 31 December 2011:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Embedded derivative financial instruments, included under Convertible Notes Due 2015	–	27,212	–	27,212

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47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, the Senior Notes Due 2012, the Convertible Notes Due 2015, the PIK Notes Due 2015, the K-Line Notes Due 2013, the TGIL Notes Due 2014, cash and bank balances, and short term time deposits. The main purpose of these financial instruments is to raise and/or retain funds for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable and accounts and bills payable, which arise directly from its operations.

The Group is principally exposed to interest rate risks, credit risks, liquidity risks and foreign currency risks. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risks

The Group's exposure to the risks of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group's treasury department continually monitors the positions and explores other ways to reduce interest costs.

The table set out below demonstrates the sensitivity to a reasonably possible change in interest rates in the current year, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax HK$'000
2012		
Hong Kong dollar	**24**	**14**
Hong Kong dollar	**(24)**	**(14)**
2011		
Hong Kong dollar	4-6	126
Hong Kong dollar	(4-6)	(126)

Credit risks

Credit risks arise from the inability of a counterparty to meet payment terms. It is the Group's policy to minimise such credit exposures by careful assessment of customer credit worthiness. The Group further lowers its credit exposure by obtaining export letters of credit and bank guarantees, etc. Therefore, the Group does not expect to incur any material credit losses on its risk management.

The credit risks of the Group's other financial assets, which comprise cash and cash equivalents, other receivables, deposits and certain derivative instruments, arise from default of the counterparty, with a maximum exposure equal to the carrying amounts of such instruments. The Company is also exposed to credit risks through the granting of financial guarantees, further details of which are disclosed in note 42 to the consolidated financial statements.

There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely dispersed.

Further quantitative data in respect of the Group's exposure to credit risks arising from accounts receivable are disclosed in note 23 to the financial statements.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risks

The Group's treasury department oversees the Group's cash flow positions on a regular basis to ensure the cash flow of the Group is closely monitored.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

Group

	On demand or within one year		Over one year		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amount due to a jointly-controlled entity	**–**	12,303	**–**	–	**–**	12,303
Accounts and bills payable	**402,475**	469,839	**–**	–	**402,475**	469,839
Financial liabilities included in other payables and accruals	**1,223,712**	1,312,843	**–**	–	**1,223,712**	1,312,843
Interest-bearing bank loans	**184,706**	1,838,984	**–**	1,291,253	**184,706**	3,130,237
Loan from a shareholder	**9,748**	–	**–**	–	**9,748**	–
Senior Notes Due 2012	**962,063**	860,882	**–**	–	**962,063**	860,882
Convertible Notes Due 2015	**499,693**	35,180	**–**	499,035	**499,693**	534,215
PIK Notes Due 2015	**103,278**	7,088	**–**	100,158	**103,278**	107,246
Liability portion of convertible preferred shares	**391,502**	310,800	**–**	718,614	**391,502**	1,029,414
K-Line Notes Due 2013	**223,572**	204,072	**–**	–	**223,572**	204,072
TGIL Notes Due 2014	**–**	4,973	**–**	145,942	**–**	150,915
	4,000,749	5,056,964	**–**	2,755,002	**4,000,749**	7,811,966

Company

	On demand or within one year		Over one year		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(Restated)				(Restated)
Amounts due to subsidiaries	**9,016**	–	**–**	–	**9,016**	–
Financial liabilities included in other payables and accruals	**1,053,494**	918,418	**–**	–	**1,053,494**	918,418
Senior Notes Due 2012	**962,063**	860,882	**–**	–	**962,063**	860,882
Convertible Notes Due 2015	**499,693**	35,180	**–**	499,035	**499,693**	534,215
PIK Notes Due 2015	**103,278**	7,088	**–**	100,158	**103,278**	107,246
Liability portion of convertible preferred shares	**391,502**	310,800	**–**	–	**391,502**	310,800
Guarantees given in connection with facilities granted to subsidiaries	**314,478**	271,270	**–**	–	**314,478**	271,270
	3,333,524	2,403,638	**–**	599,193	**3,333,524**	3,002,831

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47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risks

The Group's foreign currency exposure in operations are minimal in view of the natural hedge between costs and revenues which are primarily in United States dollars (the "US$") for businesses in Singapore and primarily in RMB for the storage business in China. The Group does not have any significant exchange rate exposures to HK$ or Singapore dollar (the "SG$").

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency to RMB and RMB to HK$ exchange rate, with all other variables held constant, of the Group's loss before tax due to changes in the fair values of monetary assets and liabilities.

	%	Increase/ (decrease) in loss before tax HK$'000
2012		
If EUR weakens against RMB	**1.92**	**1,060**
If US$ weakens against RMB	**1.97**	**2,576**
If RMB weakens against HK$	**1.67**	**15,314**
		18,950
If EUR strengthens against RMB	**1.92**	**(1,060)**
If US$ strengthens against RMB	**1.97**	**(2,576)**
If RMB strengthens against HK$	**1.67**	**(15,314)**
		(18,950)
2011		
If US$ weakens against RMB	4.36	3,851
If US$ strengthens against RMB	4.36	(3,851)

Capital management

The primary objectives of the Group's capital management are to secure its ability to continue as a going concern and to maintain capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 2011.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital using gearing ratios, which is total debts divided by total assets. The gearing ratios as at the end of the reporting periods were as follows:

	Group 2012 HK$'000	2011 HK$'000
Interest-bearing bank loans	**2,624,630**	4,837,714
Senior Notes Due 2012	**891,871**	844,690
Convertible Notes Due 2015	**453,971**	328,215
PIK Notes Due 2015	**92,236**	84,483
K-Line Notes Due 2013	**45,950**	197,464
TGIL Notes Due 2014	**–**	92,901
Loan from a shareholder	**9,700**	–
Total debts	**4,118,358**	6,385,467
Total assets	**3,472,311**	10,622,591
Gearing ratio	**119%**	60%

48. DIVIDENDS

The Directors do not recommend the payment of any dividends in respect of the year ended 31 December 2012 (2011: Nil).

49. COMPARATIVE AMOUNTS

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

50. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the this report, the events that the Group had 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.

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50. EVENTS AFTER THE REPORTING PERIOD (Continued)

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 the 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 Invesments (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.

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 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 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 were put into liquidation in 2013, most of their books and records have been under the control of a liquidator.

50. EVENTS AFTER THE REPORTING PERIOD (Continued)

d) Proposed debt restructuring

In addition to the convertible bonds subscription as described in note 50(b) above, the Company further proposed to carry out the following debt restructuring procedures:–

(i) On 12 March 2013, the Company entered into a loan agreement with Fame Dragon pursuant to which Fame Dragon agreed to provide an interim financing on request of the Company of up to approximately HK$62.24 million at an interest rate of 2% per annum payable on maturity, subject to the dismissal or stay or adjournment of the hearing of the petition and the application for appointment of provisional liquidators to allow time for the Company to implement the Company's debt restructuring proposal.

Besides, the Company intends to put forward a proposal to issue a five year, zero coupon, unlisted convertible bonds by way of an open offer to all shareholders (the "Open Offer"). The Open Offer will be fully underwritten by Fame Dragon, pursuant to an underwriting agreement entered into by the Company and Fame Dragon dated 12 March 2013. Details of the above were set out in the Company's announcement dated 15 March 2013.

(ii) Following the Company entered into the arrangements as detailed in note 50(b) and in the above, the Company has been engaged in discussions with the Group's creditors and potential creditors as well as the Company's controlling shareholder, GZE, and the convertible bonds' subscribers with a view to devising a debt restructuring proposal for the Group. On 14 August 2013, the Company announced certain key indicative terms of a debt restructuring proposal and continued to engage in discussions with creditors and other relevant parties. The Company then proposed to put forward a debt restructuring proposal for further discussion with creditors and other relevant parties. On 25 November 2013, the Company announced certain revised key indicative terms of the debt restructuring proposal. Details of the key indicative terms of the debt restructuring proposal were set out in the Company's announcement dated 14 August 2013 and 25 November 2013.

e) Assignment of Indebtedness

On 28 October 2013, the Company received a notice issued by the Guangdong Province branch of China Cinda Asset Management Co., Ltd. ("China Cinda") to Titan Quanzhou Shipyard whereby China Cinda informed Titan Quanzhou Shipyard that (i) it has transferred to GZE the rights and interests in the Indebtedness; and (ii) the collateral and guarantee granted in respect of the Indebtedness. Details of the transfer of the Indebtedness were set out in the Company's announcement dated 29 October 2013.

51. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 14 February 2014.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Revenue					
Continuing operations	**1,272,127**	1,915,886	1,724,559	1,457,557	7,181,873
Discontinued operations	**89,577**	281,147	386,940	547,692	3,911,071
	1,361,704	2,197,033	2,111,499	2,005,249	11,092,944
Loss before tax					
Continuing operations	**(482,177)**	(480,614)	(475,771)	(391,336)	(367,100)
Discontinued operations	**(3,556,131)**	(296,426)	(110,693)	(143,577)	(1,241,125)
	(4,038,308)	(777,040)	(586,464)	(534,913)	(1,608,225)
Tax					
Continuing operations	**7,854**	(5,716)	6,500	(488)	2,664
Discontinued operations	**53,310**	(576)	(424)	–	36
	61,164	(6,292)	6,076	(488)	2,700
Loss for the year	**(3,977,144)**	(783,332)	(580,388)	(535,401)	(1,605,525)
Attributable to:					
Owners of the Company	**(3,977,144)**	(783,332)	(580,800)	(536,087)	(1,600,557)
Non-controlling interests	**–**	–	412	686	(4,968)
	(3,977,144)	(783,332)	(580,388)	(535,401)	(1,605,525)

	At 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**3,472,311**	10,622,591	9,517,212	9,446,295	8,998,992
Total liabilities	**(6,610,884)**	(9,516,000)	(7,773,810)	(7,710,220)	(6,826,211)
Equity portion of convertible unsecured notes in a jointly-controlled entity	**–**	(85,015)	(92,277)	(92,277)	–
Contingently redeemable equity in a jointly-controlled entity	**–**	(477,083)	(517,837)	(517,837)	(517,837)
Non-controlling interests	**–**	–	–	(8,629)	(23,751)
	(3,138,573)	544,493	1,133,288	1,117,332	1,631,193

LIST OF MAJOR ANNOUNCEMENTS

Year: 2012

Date	Particulars
18/03/2012	Update on financial position of the Company – Failure by Grand China Logistics to comply with payment obligation under sale and purchase agreement in relation to the sale and purchase of 95% equity interest in Titan Quanzhou Shipyard
27/03/2012	Appointment of Nomura International (Hong Kong) Limited as financial adviser
28/03/2012	Delay in publication of 2011 annual results
02/04/2012	Appointment of FTI Consulting (Hong Kong) Limited to carry out a realization analysis to the holders of the Notes
30/04/2012	Further delay in publication of 2011 annual results
06/05/2012	Saturn Storage Limited ("SSL") served a notice to exercise its subscription rights under the StorageCo Warrant
11/05/2012	2011 annual results announcement
01/06/2012	Termination of Bareboat Charter Agreements in respect of 5 vessels
19/06/2012	Suspension of trading
12/07/2012	– Grand China Logistics commenced legal proceedings – SSL applied to appoint joint and several liquidators for StorageCo – Saturn Petrochemical Holdings Limited ("SPHL") served a notice to redeem 555,000,000 Preferred Shares & SPHL served on the Company a wind-up petition – Possible financing from independent third party to the Company
17/07/2012	Receipt of Letter of Terms from Guangdong Zhenrong Energy Co., Ltd. ("GZE")
20/07/2012	– BVI court ordered liquidation of StorageCo – Receipt of a writ of summons issued by the High Court of HKSAR from SSL
02/08/2012	Poll of holders of Senior Notes, Convertible Notes and PIK Notes – an overwhelming proportion voted against the Petition
07/08/2012	Conditional Subscription Agreement, Whitewash Waiver, Special Deal and Capital Reorganisation
15/08/2012	Clarification of press report and possible Titan Debt Restructuring Proposal
17/08/2012	Update on Bermuda Proceeding, Grand China Logistics filed a notice supporting the winding-up petition
24/08/2012	Appointment of Somerley Limited as independent financial adviser
29/08/2012	Update on Grand China Logistics legal proceedings – counterclaim Grand China Logistics
31/08/2012	Update on the Company
05/09/2012	Update on Bermuda Proceedings
19/09/2012	Update on Bermuda Proceedings and Hong Kong Proceedings
03/10/2012	– Acquisition of existing shares – Mandatory conditional cash offer – Supplemental agreement to Subscription Agreement
30/10/2012	– Update on the offer for preferred shares – Update on Titan Group Investment Limited (Reacquisition)
01/11/2012	Appointment of Altus Capital Limited as independent financial adviser to mandatory conditional cash offer
12/11/2012	Update on Bermuda Proceedings
19/11/2012	Update on Hong Kong Proceedings
23/11/2012	Update on BVI Proceedings
17/12/2012	Update on Grand China Logistics legal proceedings
31/12/2012	Despatch of general offer circular

LIST OF MAJOR ANNOUNCEMENTS

Year: 2013

Date	Particulars
18/01/2013	Special Deal and appointment of Altus Capital Limited as the special deal independent financial adviser
21/01/2013	Lapse of general offer
29/01/2013	Update on operations, the Subscription Agreement and Titan Debt Restructuring Proposal and Reacquisition
18/02/2013	Update on Bermuda Proceedings
22/02/2013	Update on BVI Proceedings
28/02/2013	Poll results (vote down of Subscription)
15/03/2013	Update on the Company (open offer to subscribe CB), Bermuda Proceedings and Hong Kong Proceedings
18/03/2013	Update on Bermuda Proceedings
27/03/2013	Further delay in 2012 interim and annual results and update on Hong Kong Proceedings
11/04/2013	CB Subscriptions by CGL Resources Ltd and New Berkeley Corporation
24/04/2013	Update on the Company
29/04/2013	CB Subscription by Wahen Investments Limited
02/05/2013	Update on Bermuda Proceedings
13/05/2013	Update on Bermuda Proceedings
23/05/2013	Listing Status (first stage of the delisting procedure)
10/06/2013	Transfer of interests, rights and obligation in 95% equity interests in Titan Quanzhou Shipyard from Grand China Logistics to GZE
17/06/2013	Further information on the transfer of interests, rights and obligation in 95% equity interests in Titan Quanzhou Shipyard from Grand China Logistics to GZE
25/07/2013	Update on Bermuda Proceedings
14/08/2013	Update on Debt Restructuring Proposal and PRC Proceedings
20/08/2013	Update on Bermuda Proceedings
30/08/2013	Delay in publication of 2012 interim and annual results
09/09/2013	Change of auditors
04/10/2013	Appointment of auditors
22/10/2013	Appointment of provisional liquidators and establishment of informal committee
29/10/2013	Assignment of indebtedness owed by Titan Quanzhou Shipyard from China Cinda Asset Management Co Ltd to GZE
11/11/2013	Memorandum of understanding relating to shipyard
21/11/2013	Demand letter from GZE to Titan Quanzhou Shipyard
25/11/2013	– Revised Debt Restructuring Proposal – Proposed Open Offer of Convertible Bonds ("CB") – CB Subscriptions
26/11/2013	Listing Status (second stage of the delisting procedures)
18/12/2013	Update on Bermuda Proceedings
30/12/2013	Update on suspension of trading

Year: 2014

Date	Particulars
14/01/2014	Update on the status of the proceedings in the PRC in relation to Titan Quanzhou Shipyard
05/02/2014	Update on suspension of trading and further updates on Bermuda Proceedings