2013 INTERIM REPORT

Titan

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

Foo Meng Kee
Lau Fai Lawrence
Cheung Hok Fung Alexander

AUDIT COMMITTEE

Lau Fai Lawrence, *Committee Chairman*
Foo Meng Kee
Cheung Hok Fung Alexander

REMUNERATION COMMITTEE

Foo Meng Kee, *Committee Chairman*
Lau Fai Lawrence
Hu Zhong Shan

NOMINATION COMMITTEE

Zhao Xu Guang, *Committee Chairman*
Foo Meng Kee
Cheung Hok Fung Alexander

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
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
Oldham, Li & Nie Lawyers
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
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.petrotitan.com

STOCK CODE

1192

CHAIRMAN'S STATEMENT

Shareholders of Titan Petrochemicals Group Limited (the "Company" or "Titan", together with its subsidiaries, collectively the "Group") and potential investors are advised to read this interim report in conjunction with the 2013 annual report published by the Company on the same day.

During the six months ended 30 June 2013, the board of directors (the "Board") of Titan continued to encounter unprecedented difficulties and challenges. Owing to the management's hasty business expansion in the past, it had led to a surge in debts for the Company. With a tightened capital funding situation, a private investor was introduced as holder of preference shares and due to the Group's failure to meet the redemption request of the investor, legal actions were initiated against the Group which had a chain effect on the financial position of the Group since last June. The misery caused by the severe financial situation sparked a series of further legal actions against the Group, whereby various valuable assets of the Group, including the storage assets owned by the Group were liquidated. The businesses of the Group were suspended one after another, with aborted source of revenue, and led to further litigations and default claims. Augmented by the rapid increase in legal charges and financing costs, the Group was eventually under a tremendous liquidity pressure.

In July last year, the newly appointed directors and management successfully introduced Guangdong Zhenrong Energy Co., Ltd. ("GZE"), the "white knight", to seek to restructure the business and indebtedness of the Group. Significant steps have since then been taken by the Group to solve various outstanding problems and difficulties. GZE provided its support to the Group by, among other things, purchasing the storage assets in the PRC and acquiring all the rights, interests and obligations under the agreement for the disposal of the equity interest in Titan Quanzhou Shipyard Co. Ltd. from Grand China Logistics Holding (Group) Company Limited. Furthermore, to meet the Group's immediate capital needs, GZE agreed to make available an aggregate of HK$62,240,000 to the Company from time to time according to the requirements of the Company (subject to certain conditions). The Group also announced a series of restructuring plans under the assistance of GZE, to help the Group getting out from its difficulties.

On the other hand, the newly appointed directors and management had actively optimised the internal management system of the Group, and explored the shipyard business development plans proactively with its partners, hoping to lay a good foundation for the future business development and long-term benefits of the Group. During the period under review, the Group entered into convertible bonds subscription agreements with three strategic investors (which are subject to certain conditions including without limitation the discharge of the winding up petition) for the Group's strategic deployment purposes and the working capital funding for its long-term business development, thereby enabling the Group to move forward in its restructuring and resumption of trading processes.

CHAIRMAN'S STATEMENT

OUTLOOK

GZE's investment brought silver-lining to the restructuring of Titan and its resumption of trading. Despite the many challenges and obstacles ahead, under the leadership of the new management team, the Group will continue to take active measures to seek to resolve various litigations in a proper manner. For restructuring, the Group seeks to formulate an optimal scheme taking all the stakeholders' interests into account, in order to obtain the acceptance and approval from the shareholders and creditors. For business, the Group will expand into the marine engineering equipment manufacturing sector and other energy related business areas, and will proceed with such works in an orderly manner. We believe that as long as the support from the creditors and shareholders is obtained and the debt restructuring is completed, the finance, business and management of Titan will be back on track, provided that the trading of the Company's ordinary shares on the Hong Kong Stock Exchange would also be resumed, thereby bringing actual benefits to our creditors, noteholders, shareholders, staff and other stakeholders.

Zhao Xu Guang
Chairman

Hong Kong, 30 April 2014

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the six months ended 30 June 2013, the Group's revenue from continuing operations was HK$117 million, compared to HK$815 million for the same period prior year. The loss before tax from continuing operations increased to HK$5,023 million, compared to the loss of HK$219 million in the same period of 2012. The loss for the period widened to HK$5,147 million, mainly comprised of the impairment losses on amounts due from deconsolidated subsidiaries amounted to HK$4,534 million and gain on deconsolidation of subsidiaries amounted to HK$37 million.

In view of the Group's financial position, the Board does not recommend to declare any interim dividend for the first half of 2013.

BUSINESS REVIEW

The Group has been a provider of logistics, transportation, distribution and marine services for petrochemical products in the Asia Pacific region and, in particular, in China. In addition, we have 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

Offshore Storage

The Group provided oil storage, transit and blending services in Asia on a year round basis. Revenue from this business segment for the period under review decreased by 94% to HK$14 million compared to the prior year period. At the same time, the segment loss before interest, tax, depreciation and amortisation ("LBITDA") was HK$190 million as compared to the segment earning before interest, tax, depreciation and amortisation ("EBITDA") of HK$20 million in the same period prior year.

Transportation

The Group offered transportation services for oil and petrochemical products to customers in the Southeast Asian regions during the period under review. Owing to volatile oil price fluctuations and the uncertain market status, this business segment was suspended since 2012. The segment LBITDA amounted to HK$8 million, as compared to HK$71 million in the same period prior year.

Supply of Oil Products and Provision of Bunker Refueling Services

The Group engaged in the supply of oil products and provision of bunker refueling services and revenue from this business segment decreased by 74% over the prior year period to HK$103 million in the first half of 2013.

DISCONTINUED OPERATIONS

Shipbuilding (Shipyard)

In December 2010, the Group entered into a sale and purchase agreement with Grand China Logistics Holding (Group) Company Limited ("Grand China Logistics") (as amended and supplemented by further agreements dated 24 July 2011) (the "GCL Sale and Purchase Agreement") for the disposal of its 95% equity interest in Titan Quanzhou Shipyard Co. Ltd. ("Titan Quanzhou Shipyard") to Grand China Logistics for RMB1,666 million (equivalent to approximately HK$2,103 million). This transaction, however, had not yet been completed as Grand China Logistics failed to comply with its payment obligations.

On 10 June 2013, the Company received a notification from Grand China Logistics informing the Company that it had entered into an agreement with Guangdong Zhenrong Energy Co., Ltd. ("GZE") pursuant to which it transferred to GZE all of its interests, rights and obligations in respect of the GCL Sale and Purchase Agreement.

On 26 December 2013, 上海市第一中級人民法院 (Shanghai No. 1 Intermediate People's Court) (the "Shanghai Intermediate Court") approved the application by Grand China Logistics of the withdrawal of the claim initiated by Grand China Logistics against the Group, in relation to the GCL Sale and Purchase Agreement. Notwithstanding the discontinuation of the proceedings in the Shanghai Intermediate Court, any disposition of the assets of Titan Quanzhou Shipyard remain subject to, among other things, GZE's rights and interests in the indebtedness (the "Indebtedness") originally owed by Titan Quanzhou Shipyard to the Fuzhou branch of Shanghai Pudong Development Bank Co., Ltd. and the collateral and guarantee granted in respect of the Indebtedness (the "Securities"). Since Titan Quanzhou Shipyard had been in default on its payment obligations under the Indebtedness and the Securities are liable to be enforced by GZE.

Despite Grand China Logistics transferring all of its interests, rights and obligations in respect of the GCL Sale and Purchase Agreement, the payment obligations of this transaction has not been completed, this business continues to be classified as "discontinued operation".

There was no revenue during the year under review, and segment LBITDA was HK$27 million. Revenue and the segment LBITDA were HK$13 million and HK$134 million respectively in the same period of 2012.

Onshore Storage

As a result of the deconsolidation of Titan Group Investment Limited ("TGIL") and its subsidiaries (the "TGIL Group") during the year ended 31 December 2012, there was no operation in Onshore Storage segment in the first half of 2013. Revenue and the segment LBITDA were HK$77 million and HK$985 million respectively in the first half of 2012.

Deconsolidation of Subsidiaries

Titan Resources Management (S) Pte. Ltd. and Titan Bunkering Pte. Ltd. were put into voluntary liquidation on 6 June 2013 and Titan Ocean Pte Ltd was ordered to be wound up by the High Court of the Republic of Singapore on 28 June 2013. Accordingly, the Group had deconsolidated these subsidiaries, as a result of which the amounts due from the deconsolidated subsidiaries were considered to be non-recoverable and thus were fully impaired as these subsidiaries were put into the liquidation during the period ended 30 June 2013.

LIQUIDITY, FINANCIAL RESOURCES, CHARGES ON ASSETS AND GEARING

As at 30 June 2013, the Group net liabilities amounted to HK$8,326 million, compared to HK$3,139 million as at 31 December 2012.

The Group financed its operations mainly through internally generated resources, term loans and trade finance facilities provided by banks in Hong Kong and Mainland China. As at 30 June 2013,

a) The Group had:

- Cash and bank balances of HK$102 million (31 December 2012: HK$124 million) of which HK$0.1 million (31 December 2012: HK$1 million) was from the discontinued operation in respect of shipbuilding segment; pledged deposits and restricted cash of HK$538 million (31 December 2012: HK$604 million) were from continuing operations. These balances were comprised of:

  – an equivalent of HK$125 million (31 December 2012: HK$136 million) denominated in US dollars

  – HK$1 million denominated in Singapore dollars as at 31 December 2012

  – an equivalent of HK$457 million (31 December 2012: HK$529 million) of which HK$0.1 million (31 December 2012: HK$1 million) was from the discontinued operation, denominated in RMB

  – HK$1 million (31 December 2012: HK$4 million) in Hong Kong dollars

  – an equivalent of HK$57 million (31 December 2012: HK$58 million) denominated in EURO

- Interest-bearing bank and other loans of HK$2,650 million (31 December 2012: HK$2,625 million) of which HK$2,495 million (31 December 2012: HK$2,440 million) was from the discontinued operation of shipbuilding segment. Floating rate loans denominated in US dollars amounted to HK$6 million (31 December 2012: HK$6 million). Group bank and other loans having maturities within one year amounted to HK$2,650 million (31 December 2012: HK$2,568 million) of which HK$2,495 million (31 December 2012: HK$2,383 million) related to discontinued operation in respect of shipbuilding segment

- Loan from the immediate holding company of HK$9.7 million as at 31 December 2012 but was repaid in 2013

MANAGEMENT DISCUSSION AND ANALYSIS

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$825 million (31 December 2012: HK$811 million)
- Bank balances and deposits of HK$511 million (31 December 2012: HK$578 million)
- Machinery with an aggregate net carrying value of HK$91 million (31 December 2012: HK$98 million)
- Buildings with an aggregate net carrying value of HK$455 million (31 December 2012: HK$454 million)
- Prepaid land/seabed lease payments with an aggregate net carrying value of HK$326 million (31 December 2012: HK$330 million)
- Corporate guarantees executed by the Company and its subsidiaries
- Corporate guarantees executed by the subsidiaries of the ultimate holding company
- Personal guarantees executed by a related party and a former director of the Company
- Certain Company shares owned by related parties of the Company

c) The fixed rate guaranteed senior notes (the "Senior Notes Due 2012") of HK$927 million (31 December 2012: HK$892 million), the guaranteed senior convertible notes (the "Convertible Notes Due 2015") of HK$479 million (31 December 2012: HK$454 million) and the guaranteed senior payment-in-kind notes (the "PIK Notes Due 2015") of HK$96 million (31 December 2012: HK$92 million) were secured by the shares of certain subsidiaries.

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

- Current assets of HK$3,246 million (31 December 2012: HK$3,443 million) and total assets of HK$3,277 million (31 December 2012: HK$3,472 million) of which HK$2,446 million (31 December 2012: HK$2,423 million) was from the discontinued operation of shipbuilding segment
- Total bank and other loans of HK$2,650 million (31 December 2012: HK$2,625 million) of which HK$2,495 million (31 December 2012: HK$2,440 million) was from the discontinued operation in respect of shipbuilding segment
- The Senior Notes Due 2012 of HK$927 million (31 December 2012: HK$892 million)
- The Convertible Notes Due 2015 of HK$479 million (31 December 2012: HK$454 million)

- The PIK Notes Due 2015 of HK$96 million (31 December 2012: HK$92 million)
- Convertible preferred shares issued by the Company (the "Titan preferred shares") with a liability portion of HK$399 million (31 December 2012: HK$392 million)
- Notes payable (the "K-Line Notes Due 2013") was classified as a current liability to the extent of the liability portion in the amount of HK$225 million (31 December 2012: HK$46 million)
- Loan from the immediate holding company of HK$9.7 million as at 31 December 2012 but was repaid in 2013

e) The Group's current ratio was 0.28 (31 December 2012: 0.52). The gearing of the Group, calculated as the total bank loans, the Senior Notes Due 2012, the Convertible Notes Due 2015, the K-Line Notes Due 2013, the PIK Notes Due 2015 and the loan from the immediate holding company to total assets, increased to 1.34 (31 December 2012: 1.19).

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 are minimal in view of the natural hedge between costs and revenues. The Group has not used any financial instruments for speculative purposes.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2013, the Group had 187 employees (31 December 2012: 510) of which 162 employees (31 December 2012: 399) worked in Mainland China, and 23 employees and 2 employees (31 December 2012: 22 and 89) were based in Hong Kong and Singapore, respectively. Included in those working in Mainland China for the Group, 156 employees (31 December 2012: 388) were from Titan Quanzhou Shipyard. Remuneration packages including basic salaries, bonuses and benefits-in-kind, were structured by reference to market terms and individual merit and are reviewed on an annual basis based on performance appraisals. No share options were granted to employees of the Group during the six months ended 30 June 2013.

LITIGATION

a) Bermuda Proceedings

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

SPHL filed a petition for the winding-up of the Company on 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 Supreme Court of Bermuda (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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 ("JPLs") to the Company with specified powers as set out in the announcement of the Company dated 22 October 2013.

On 14 February 2014 (Bermuda time), the Bermuda Court ordered the variation of the order made by the Bermuda Court on 18 October 2013 (Bermuda time) in relation to the appointment of the JPLs such that the powers of the JPLs be varied as disclosed in the announcement of the Company dated 18 February 2014.

On 7 March 2014 (Bermuda time), the Bermuda Court ordered, among other things, that (i) the Company be permitted to enter into an unsecured loan agreement with Fame Dragon International Investment Limited ("Fame Dragon") in relation to the provision of an unsecured loan by Fame Dragon to the Company and (ii) the winding up petition by Camden was adjourned to 17 April 2014 (Bermuda time).

On 17 April 2014 (Bermuda time), the winding up petition by Camden was further adjourned to 16 May 2014 (Bermuda time).

b) 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 the 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 of the British Virgin Islands (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 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.

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

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 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 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.

* *For identification only*

MANAGEMENT DISCUSSION AND ANALYSIS

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 has 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 of the withdrawal of the claim initiated by Grand China Logistics against the Company, Titan TQSL and Titan Fujian in relation to the GCL Sale and Purchase Agreement.

PROPOSED DEBT RESTRUCTURING

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

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

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

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

b) pursuant to the Creditors' Scheme, holders of Scheme Claims will 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 the 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 Ltd. and Wahen Investments Limited on substantially the same terms as the Open Offer (which are also subject to finalisation);

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

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

SUSPENSION OF TRADING AND LISTING STATUS

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

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

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

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
CONTINUING OPERATIONS			
Revenue	4	**116,663**	814,695
Cost of sales		**(143,717)**	(904,086)
Gross loss		**(27,054)**	(89,391)
Other revenue		**3,093**	30,949
Gain on deconsolidation of subsidiaries	8	**36,786**	–
General and administrative expenses		**(248,114)**	(67,735)
Finance costs	7	**(77,760)**	(92,706)
Impairment losses on amounts due from deconsolidated subsidiaries	8	**(4,533,620)**	–
Loss on derecognition of derivative financial instruments not qualifying as hedges		**(176,049)**	–
Loss before tax from continuing operations	10	**(5,022,718)**	(218,883)
Income tax credit/(expense)	11	**434**	(1,703)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(5,022,284)**	(220,586)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	6	**(124,818)**	(1,247,404)
LOSS FOR THE PERIOD		**(5,147,102)**	(1,467,990)
Loss for the period attributable to:			
Owners of the Company		**(5,147,102)**	(1,467,990)
Non-controlling interests		**–**	–
		(5,147,102)	(1,467,990)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
From continuing and discontinued operations			
Basic per share		**(HK65.82 cents)**	(HK18.77 cents)
Diluted per share		**(HK65.82 cents)**	(HK18.77 cents)
From continuing operations			
Basic per share		**(HK64.22 cents)**	(HK2.82 cents)
Diluted per share		**(HK64.22 cents)**	(HK2.82 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period	**(5,147,102)**	(1,467,990)
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(36,772)**	(1,487)
Other comprehensive loss for the period, net of tax	**(36,772)**	(1,487)
Total comprehensive loss for the period	**(5,183,874)**	(1,469,477)
Total comprehensive loss attributable to:		
Owners of the Company	**(5,183,874)**	(1,469,477)
Non-controlling interests	**–**	–
	(5,183,874)	(1,469,477)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**6,108**	5,023
Prepaid land/seabed lease payments		**24,508**	24,361
Licenses		**–**	–
Total non-current assets		**30,616**	29,384
CURRENT ASSETS			
Bunker oil		**1,870**	–
Inventories		**889**	43,789
Accounts receivable	16	**825**	1,837
Prepayments, deposits and other receivables		**157,379**	247,089
Pledged deposits and restricted cash		**537,439**	604,489
Cash and cash equivalents		**102,311**	122,560
		800,713	1,019,764
Assets of a disposal group classified as held for sale	6	**2,445,541**	2,423,163
Total current assets		**3,246,254**	3,442,927
CURRENT LIABILITIES			
Interest-bearing bank loans	17	**155,242**	184,706
Accounts payable	18	**351,189**	402,475
Other payables and accruals	19	**4,894,944**	1,236,530
Fixed rate guaranteed senior notes	20	**926,966**	891,871
Guaranteed senior convertible notes	21	**478,990**	453,971
Guaranteed senior payment in-kind notes	22	**96,156**	92,236
Liability portion of convertible preferred shares	23	**398,806**	391,502
Notes payable	24	**225,034**	45,950
Tax payable		**1,054**	1,480
Amount due to the ultimate holding company		**934,177**	–
Loan from the immediate holding company		**–**	9,700
		8,462,558	3,710,421
Liabilities directly associated with the assets classified as held for sale	6	**3,140,793**	2,900,463
Total current liabilities		**11,603,351**	6,610,884
NET CURRENT LIABILITIES		**(8,357,097)**	(3,167,957)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(8,326,481)**	(3,138,573)
Net liabilities		**(8,326,481)**	(3,138,573)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2013 (Unaudited) HK$'000**	31 December 2012 (Audited) HK$'000
DEFICIENCY IN ASSETS			
Deficiency attributable to owners of the Company			
Share capital	26	**78,206**	78,206
Deficits	27	**(8,404,687)**	(3,216,779)
Deficiency in assets		**(8,326,481)**	(3,138,573)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Equity portion of convertible unsecured notes in a jointly-controlled entity	Contingently redeemable equity in a jointly-controlled entity	Total (deficiency in assets)/ equity
	Share capital	Convertible preferred shares	(Deficits)/ reserves (note 27)	Sub-total			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2013	**78,206**	**–**	**(3,216,779)**	**(3,138,573)**	**–**	**–**	**(3,138,573)**
Loss for the period	**–**	**–**	**(5,147,102)**	**(5,147,102)**	**–**	**–**	**(5,147,102)**
Other comprehensive loss for the period:							
Exchange differences on translation of foreign operations	**–**	**–**	**(36,772)**	**(36,772)**	**–**	**–**	**(36,772)**
Total comprehensive loss for the period	**–**	**–**	**(5,183,874)**	**(5,183,874)**	**–**	**–**	**(5,183,874)**
Share option expenses	**–**	**–**	**82**	**82**	**–**	**–**	**82**
Released upon deconsolidation of subsidiaries	**–**	**–**	**(4,116)**	**(4,116)**	**–**	**–**	**(4,116)**
At 30 June 2013 (Unaudited)	**78,206**	**–**	**(8,404,687)**	**(8,326,481)**	**–**	**–**	**(8,326,481)**
At 1 January 2012	78,206	75,559	390,728	544,493	85,015	477,083	1,106,591
Loss for the period	–	–	(1,467,990)	(1,467,990)	–	–	(1,467,990)
Other comprehensive loss for the period:							
Exchange differences on translation of foreign operations	–	–	(1,487)	(1,487)	–	–	(1,487)
Total comprehensive loss for the period	–	–	(1,469,477)	(1,469,477)	–	–	(1,469,477)
Equity-settled share option arrangements	–	–	(313)	(313)	–	–	(313)
Realised on deemed disposals of partial interest in a jointly-controlled entity	–	–	(4)	(4)	(618)	(3,470)	(4,092)
Transfers to accumulated losses upon redemption	–	–	558,010	558,010	(84,397)	(473,613)	–
Released upon deconsolidation of a jointly-controlled entity	–	–	(234,524)	(234,524)	–	–	(234,524)
At 30 June 2012 (Unaudited)	78,206	75,559	(755,580)	(601,815)	–	–	(601,815)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash flows (used in)/from:		
Operating activities	**(66,328)**	8,964
Investing activities	**73,982**	(246,230)
Financing activities	**(29,093)**	51,120
Net decrease in cash and cash equivalents	**(21,439)**	(186,146)
Cash and cash equivalents at the beginning of the period	**123,767**	221,408
Effect of foreign exchange rate changes, net	**102**	2,541
Cash and cash equivalents at the end of the period	**102,430**	37,803
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances attributable to continued operations	**102,311**	37,582
Cash and bank balances attributable to discontinued operation	**119**	221
Cash and cash equivalents as stated in condensed consolidated statement of cash flows	**102,430**	37,803
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents per condensed consolidated statement of cash flows	**102,430**	37,803
Cash and bank balances attributable to discontinued operation	**(119)**	(221)
Cash and cash equivalents as stated in the consolidated statement of financial position	**102,311**	37,582

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of Titan Petrochemicals Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the six-month period ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Loss of access to books and records of the Group

The directors of the Company (the "Directors") have used their best endeavors to locate all the financial and business records of the Group. The access to most of the books and records of its subsidiaries which operated in Singapore have not been able to be located as a consequence of the re-location of the operating office and servers, together with the resignation of key management and most of the former operating and accounting personnel have once 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 Liquidator. As a result, the Directors have been unable to obtain sufficient information to satisfy themselves regarding the treatment of various transactions and balances of the Group for the year ended 31 December 2012 and for the period ended 30 June 2013.

1.1 GOING CONCERN BASIS

During the period ended 30 June 2013, the Group incurred losses of HK$5,147,102,000 and, as of that date, the Group had net current liabilities and net liabilities of HK$8,357,097,000 and HK$8,326,481,000 respectively. These conditions together with events set out below, indicate the existence of a material uncertainty which may cast significant effect on the Group's ability to continue as a going concern.

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

a) Proceedings

i) Bermuda proceedings

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

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

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

1.1 GOING CONCERN BASIS (Continued)

a) Proceedings (Continued)

i) Bermuda proceedings (Continued)

On 14 February 2014 (Bermuda time), the powers of the JPLs were varied by the Bermuda Court. On 7 March 2014 (Bermuda time), the Bermuda Court ordered that the Company be permitted to enter into the unsecured loan agreement with Fame Dragon International Investment Limited ("Fame Dragon") in relation to the provision of an unsecured loan by Fame Dragon to the Company.

The winding up petition against the Company by Camden was adjourned to 16 May 2014 (Bermuda time), further details of which are set out in note 31(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 Titan Group Investment Limited ("TGIL") convertible preferred shares (the "TGIL preferred shares") and TGIL convertible unsecured notes (the "TGIL Notes Due 2014"), SSL applied for an order to appoint joint and several provisional liquidators for, and to liquidate TGIL.

On 17 July 2012 (BVI time), the Eastern Caribbean Supreme Court (the "BVI court") ordered (the "Order") the liquidation of TGIL. This resulted to a loss of joint control over TGIL and its subsidiaries (collectively the "TGIL Group"), further details of which are set out in notes 2 and 31(c).

b) Debt restructuring

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

The Company is in discussions with the Group's creditors and potential creditors as well as Guangdong Zhenrong Energy Co., Ltd. ("GZE"), CGL Resources Ltd. ("CGL Resources"), New Berkeley Corporation ("New Berkeley") and Wahen Investments Limited ("Wahen Investments") (collectively, the "CB Subscribers") to devise a debt restructuring proposal for the Group, further details of which are set out in notes 33(b) and 33(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 the financial restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

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

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 and the results, assets and liabilities of the TGIL Group were therefore deconsolidated from the consolidated financial statements of the Group during the period ended 30 June 2012. Further details of the deconsolidation of a joint-controlled entity are set out in note 9. Details of companies in the TGIL Group are set out below.

Jointly-controlled entity

TGIL

TGIL subsidiaries

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

TGIL associates

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

TGIL jointly-controlled entity

Yantai Titan Petrochemical Port Development Company Limited

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31 December 2012 except that the Group has adopted the following amended Hong Kong Financial Reporting Standards ("HKFRSs") and HKAS issued by the HKICPA which became effective for accounting periods beginning on or after 1 January 2013.

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transitional Guidance
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except for the amendments to HKAS 1, the application of these new HKFRSs has no material impact on the results and the financial position of the Group.

The nature of the impending changes in accounting policy on adoption of the amendments to HKAS 1 is described below.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

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

5. 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 reason as detailed in note 6(a).

The joint control of the Company over the TGIL Group was lost during the period ended 30 June 2012 and, as a result, the Group discontinued its onshore storage operation during the period ended 30 June 2012, as set out in note 6(b).

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in the Company's Annual Report for the year ended 31 December 2012.

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

5. OPERATING SEGMENT INFORMATION (Continued)

The following table presents the unaudited segment information for the first six months of 2013 and 2012.

Six months ended 30 June 2013

	Provision of logistic services		Supply of oil products and provision of bunker refueling services	Continuing operations	Discontinued operation		
	Offshore storage HK$'000	Transportation HK$'000	HK$'000	Total HK$'000	Shipbuilding HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment revenue							
– Revenue from external customers	14,058	–	102,605	116,663	–	–	116,663
Segment results	(190,428)	(7,952)	(7,054)	(205,434)	(51,893)	–	(257,327)
Adjusted for:							
– Interest income	–	–	–	–	2	2,350	2,352
– Other revenue	–	–	–	–	–	471	471
– Other expenses	–	–	–	–	–	(69,462)	(69,462)
	(190,428)	(7,952)	(7,054)	(205,434)	(51,891)	(66,641)	(323,966)
Add: Depreciation and amortisation	–	–	209	209	25,350	798	26,357
Operating loss before interest, tax, depreciation and amortisation ("LBITDA")	(190,428)	(7,952)	(6,845)	(205,225)	(26,541)	(65,843)	(297,609)
Gain on deconsolidation of subsidiaries	–	–	–	–	–	36,786	36,786
Impairment losses on amounts due from deconsolidated subsidiaries	–	–	–	–	–	(4,533,620)	(4,533,620)
Loss on derecognition of derivative financial instruments not qualifying as hedges	–	–	–	–	–	(176,049)	(176,049)
LBITDA	(190,428)	(7,952)	(6,845)	(205,225)	(26,541)	(4,738,726)	(4,970,492)
Depreciation and amortisation	–	–	(209)	(209)	(25,350)	(798)	(26,357)
Finance costs	–	–	–	–	(74,162)	(77,760)	(151,922)
Loss before tax	(190,428)	(7,952)	(7,054)	(205,434)	(126,053)	(4,817,284)	(5,148,771)

5. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 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$'000	Unallocated and eliminations HK$'000	Consolidated HK$'000
Segment revenue									
– Revenue from external customers	234,700	187,826	392,169	814,695	13,039	77,360	90,399	–	905,094
– Intersegment revenue	–	–	103,503	103,503	–	–	–	(103,503)*	–
Total	234,700	187,826	495,672	918,198	13,039	77,360	90,399	(103,503)	905,094
Segment results	(15,653)	(76,040)	(1,027)	(92,720)	(138,742)	(57,460)	(196,202)	–	(288,922)
Adjusted for:									
– Interest income	–	–	–	–	219	657	876	14,690	15,566
– Other revenue	–	–	–	–	–	–	–	269	269
– Other expenses	–	–	–	–	–	–	–	(48,416)	(48,416)
Share of profits of associates	–	–	–	–	–	8,538	8,538	–	8,538
	(15,653)	(76,040)	(1,027)	(92,720)	(138,523)	(48,265)	(186,788)	(33,457)	(312,965)
Add: Depreciation and amortisation	35,815	5,530	222	41,567	4,174	40,861	45,035	4,699	91,301
Operating earnings before interest, tax, depreciation and amortisation ("EBITDA")/(LBITDA)	20,162	(70,510)	(805)	(51,153)	(134,349)	(7,404)	(141,753)	(28,758)	(221,664)
Gain on deconsolidation of a jointly-controlled entity	–	–	–	–	–	189,524	189,524	–	189,524
Loss on early redemption									
– TGIL preferred shares	–	–	–	–	–	(1,013,937)	(1,013,937)	–	(1,013,937)
– TGIL Notes Due 2014	–	–	–	–	–	(152,985)	(152,985)	–	(152,985)
EBITDA/(LBITDA)	20,162	(70,510)	(805)	(51,153)	(134,349)	(984,802)	(1,119,151)	(28,758)	(1,199,062)
Depreciation and amortisation	(35,815)	(5,530)	(222)	(41,567)	(4,174)	(40,861)	(45,035)	(4,699)	(91,301)
Finance costs	–	–	–	–	(4,346)	(78,660)	(83,006)	(92,706)	(175,712)
Loss before tax	(15,653)	(76,040)	(1,027)	(92,720)	(142,869)	(1,104,323)	(1,247,192)	(126,163)	(1,466,075)

* Intersegment revenue is eliminated on consolidation

6. 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 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 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 sale and purchase agreement and repayment of an aggregate amount of RMB740,000,000 (equivalent to approximately HK$934,177,000) referred to above, together with accrued interest.

On 10 June 2013, the Company received a notification that 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 on 26 December 2013 上海市第一中級人民法院 (Shanghai No.1 Intermediate People's Court) (the "Shanghai Intermediate Court") ordered discontinuation of the proceedings. Further details are set out in note 31(e).

As at 30 June 2013 and 31 December 2012, the assets and liabilities related to the discontinued operation, shipbuilding and building of ship repair facilities, have been presented in the consolidated statement of financial position as "Assets of a disposal group classified as held for sale" and "Liabilities directly associated with the assets classified as held for sale". The results for the periods ended 30 June 2013 and 2012 are included in the consolidated statement of profit or loss as "Loss for the period from discontinued operations".

b) Onshore storage – TGIL Group

As disclosed in note 2 of this report, the joint control of the Company over the TGIL Group had been lost upon occurrence of the external restrictions and events. The results, assets and liabilities of the TGIL Group were, therefore, deconsolidated from the consolidated financial statements of the Group during the period ended 30 June 2012. The results of the TGIL Group for the period ended 30 June 2012 is included in the consolidated statement of profit or loss as "Loss for the period from discontinued operations" for the period ended 30 June 2012 and details of the carrying amount of the deconsolidated assets and liabilities of the TGIL Group are disclosed in note 9.

6. DISCONTINUED OPERATIONS (Continued)

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

The results of Titan Quanzhou Shipyard and the TGIL Group for the periods are presented below.

	Notes	Six months ended 30 June 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Revenue	4	–	90,399
Cost of sales		–	(172,982)
Gross loss		–	(82,583)
Other revenue		**553**	3,086
General and administrative expenses		**(52,444)**	(115,829)
Finance costs	7	**(74,162)**	(83,006)
Share of profits of associates		–	8,538
Loss on early redemption			
– TGIL preferred shares		–	(1,013,937)
– TGIL Notes Due 2014		–	(152,985)
Gain on deconsolidation of a jointly-controlled entity	9(a)	–	189,524
Loss before tax		**(126,053)**	(1,247,192)
Income tax credit/(expense)		**1,235**	(212)
Loss for the period from discontinued operations		**(124,818)**	(1,247,404)

6. DISCONTINUED OPERATIONS (Continued)

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

The major classes of assets and liabilities of Titan Quanzhou Shipyard classified as held for sale as at 30 June 2013 and 31 December 2012 are as follows:

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Assets		
Property, plant and equipment	**2,047,549**	2,020,624
Prepaid land/seabed lease payments	**301,619**	306,019
Inventories	**44,197**	43,688
Prepayments, deposits and other receivables	**52,057**	51,625
Cash and cash equivalents	**119**	1,207
Assets of a disposal group classified as held for sale	**2,445,541**	2,423,163
Liabilities		
Interest-bearing bank and other loans	**2,495,006**	2,439,924
Accounts payable	**90,007**	88,335
Other payables and accruals	**393,204**	313,546
Amounts due to deconsolidated subsidiaries	**105,153**	–
Deferred tax liabilities	**57,423**	58,658
Liabilities directly associated with the assets classified as held for sale	**3,140,793**	2,900,463
Net liabilities directly associated with the disposal group	**(695,252)**	(477,300)

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

	Six months ended 30 June	
	2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Net cash (outflow)/inflow from:		
Operating activities	**(13,881)**	70,214
Investing activities	**–**	(228,463)
Financing activities	**12,793**	37,227
Net cash outflow	**(1,088)**	(121,022)

7. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on:		
Bank loans wholly repayable within five years	**42,770**	101,133
Bank loans not wholly repayable within five years	**33,868**	78,078
Loan from the immediate holding company	**11**	–
Other loans	**900**	–
Fixed rate guaranteed senior notes ("Senior Notes Due 2012")	**35,095**	16,192
Guaranteed senior convertible notes ("Convertible Notes Due 2015")	**25,019**	28,076
Guaranteed senior payment-in-kind notes ("PIK Notes Due 2015")	**3,920**	4,115
Notes payable ("K-Line Notes Due 2013")	**3,035**	3,108
TGIL Notes Due 2014	**–**	8,693
Dividends on convertible preferred shares	**7,304**	37,316
Total interest expenses	**151,922**	276,711
Less: Interest capitalised	**–**	(100,999)
	151,922	175,712
Attributable to continuing operations	**77,760**	92,706
Attributable to discontinued operations (note 6(c))	**74,162**	83,006
	151,922	175,712

8. DECONSOLIDATION OF SUBSIDIARIES

During the period ended 30 June 2013, three wholly-owned subsidiaries of the Group that were incorporated in Singapore have been placed into liquidation.

On 6 June 2013, Titan Resources Management (S) Pte. Ltd. and Titan Bunkering Pte. Ltd. were put into voluntary liquidation. On 28 June 2013, Titan Ocean Pte Ltd was ordered to be wound up by the High Court of the Republic of Singapore under the provisions of the Companies Act (Cap 50).

8. DECONSOLIDATION OF SUBSIDIARIES (Continued)

Accordingly, the Group had deconsolidated these subsidiaries as the Directors considered that the Group's control over these subsidiaries had been lost. The gain on deconsolidation of these subsidiaries and the net cash outflow arising on deconsolidation of subsidiaries were set out as below.

a) Gain on deconsolidation of subsidiaries

	Six months ended 30 June 2013 (Unaudited) HK$'000
Accounts receivable	77
Prepayments, deposits and other receivables	1,847
Amounts due from fellow subsidiaries	4,720,741
Amounts due from deconsolidated fellow subsidiaries	158,227
Cash and cash equivalents	630
Accounts payable	(132,997)
Amount due to the intermediate holding company	(113,064)
Amounts due to fellow subsidiaries	(4,471,686)
Amounts due to deconsolidated fellow subsidiaries	(171,688)
Other payables and accruals	(24,757)
Net liabilities of deconsolidated subsidiaries attributable to the Group	(32,670)
Release of exchange fluctuation reserve	4,116
Net liabilities of deconsolidated subsidiaries attributable to the Group	32,670
Gain on deconsolidation of subsidiaries	36,786

b) Net cash outflow arising on deconsolidation of subsidiaries

Cash and cash equivalents of deconsolidated subsidiaries	(630)

c) Amounts due to deconsolidated subsidiaries were included in the consolidated statement of financial position as follows:

Other payables and accruals	4,593,899
Liabilities directly associated with the assets classified as held for sale	105,153
	4,699,052

d) Impairment losses:

Impairment losses on amounts due from deconsolidated subsidiaries (Note)	4,533,620

Note:

During the period ended 30 June 2013, impairments have been made for the amounts due from deconsolidated subsidiaries 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 subsidiaries. Accordingly, impairment losses of HK$4,533,620,000 (2012: HK$Nil) were recognised during the period.

9. DECONSOLIDATION OF A JOINTLY-CONTROLLED ENTITY

a) Gain on deconsolidation of a jointly-controlled entity

	Six months ended 30 June 2012 (Unaudited) HK$'000
Property, plant and equipment	2,751,286
Prepaid land lease payments	425,068
Goodwill	414,955
Interests in associates	313,553
Deposits for construction in progress	4,044
Inventories	1,968
Accounts receivable	28,802
Prepayments, deposits and other receivables	22,852
Amounts due from holding companies	171,454
Tax receivable	28
Pledged deposits and restricted cash	15,886
Cash and cash equivalents	35,386
Interest-bearing bank loans	(1,846,772)
Accounts payable	(657)
Amounts due to holding companies	(164,249)
Other payables and accruals	(288,978)
Liability portion of convertible preferred shares	(1,426,535)
Liability portion of convertible unsecured notes	(410,484)
Deferred tax liabilities	(37,714)
Net assets of the TGIL Group attributable to the Group	9,893
Release of exchange fluctuation reserve	234,524
Gain on redemption of convertible unsecured notes held by the Group	119,074
Impairment losses on amounts due from a deconsolidated jointly-controlled entity (Note)	(154,181)
Net assets of the TGIL Group attributable to the Group	(9,893)
Gain on deconsolidation of a jointly-controlled entity	189,524

Note:

During the period ended 30 June 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$154,181,000 were recognised during the period ended 30 June 2012 and have been included in gain on deconsolidation of a jointly-controlled entity as set out in note 9(a) above.

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

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

10. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**102,679**	473,613
Cost of services rendered	**41,038**	603,455
Depreciation and amortisation	**26,357**	91,301
Interest income	**(2,352)**	(15,566)

11. INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current:		
Charge for the period – overseas	**–**	3,544
Overprovision in prior periods – overseas	**(434)**	(1,841)
Total tax (credit)/expense for the period, continuing operations	**(434)**	1,703

No share of tax attributable to associates (period ended 30 June 2012: HK$5,000) is included in "Loss for the period from discontinued operations" presented on the unaudited consolidated statement of profit or loss.

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:

	2013	2012
Hong Kong	**16.5%**	16.5%
Singapore	**17.0%**	17.0%
Mainland China	**25.0%**	25.0%

11. INCOME TAX CREDIT/(EXPENSE) (Continued)

Hong Kong

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the periods ended 30 June 2013 and 2012.

Singapore

Under Section 13A of the Singapore Income Tax Act, charter and freight income derived from certain Singapore incorporated subsidiaries whose vessels are all sea-going Singapore flagged ships are exempted from corporate income tax in Singapore. No provision for taxation has been made on the estimated assessable profits generated from charter and freight income for the periods ended 30 June 2013 and 2012.

Mainland China

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

12. DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend for the period ended 30 June 2013 (period ended 30 June 2012: Nil).

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

From continuing and discontinued operations

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period attributable to owners of the Company	**5,147,102**	1,467,990

	Six months ended 30 June	
	2013	2012
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**7,820,554,682**	7,820,554,682

Diluted loss per share for the periods ended 30 June 2013 and 2012 were the same as basic loss per share.

No adjustments have been made to the basic loss per share amounts presented for the periods ended 30 June 2013 and 2012 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.

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

From continuing operations

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period from continuing operations	**5,022,284**	220,586

From discontinued operations

Basic and diluted loss per share for discontinued operations is HK1.60 cents per share (period ended 30 June 2012: HK15.95 cents per share), based on the loss for the period from discontinued operations attributable to owners of the Company of approximately HK$124,818,000 (period ended 30 June 2012: HK$1,247,404,000) and the denominators as detailed above for both basic and diluted loss per share.

No adjustment has been made to the basic loss per share for discontinued operations for the periods ended 30 June 2013 and 2012 as the share options, the Convertible Notes Due 2015, warrants and convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group, including those classified as held for sale, acquired property, plant and equipment at a cost of approximately HK$13,419,000 (period ended 30 June 2012: HK$232,840,000).

During the six months ended 30 June 2013, the Group, including those classified as held for sale, disposed property, plant and equipment with the aggregate carrying amount of approximately HK$Nil (period ended 30 June 2012: HK$17,534,000).

15. GOODWILL

	HK$'000
30 June 2013	**(Unaudited)**
At 1 January 2013 and 30 June 2013 net of accumulated impairments	**–**
At 1 January 2013 and 30 June 2013:	
Cost	**35,526**
Accumulated impairments	**(35,526)**
Net carrying amount	**–**

16. ACCOUNTS RECEIVABLE

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

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

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
1 to 3 months	**–**	1,345
4 to 6 months	**825**	231
7 to 12 months	**–**	261
	825	1,837

17. INTEREST-BEARING BANK LOANS

As at 30 June 2013, 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$536,881,000 (31 December 2012: HK$351,797,000).

18. ACCOUNTS PAYABLE

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

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

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
1 to 3 months	**–**	88,062
4 to 6 months	**20**	44,434
7 to 12 months	**20,181**	82,036
Over 12 months	**330,988**	187,943
	351,189	402,475

19. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals is an amount of HK$4,593,899,000 in respect of amounts due to deconsolidated subsidiaries. At 31 December 2012, RMB740,000,000 (equivalent to approximately HK$918,304,000) in respect of the partial receipt of the disposal consideration of Titan Quanzhou Shipyard were included in other payables and accruals. Following the Company entered into an assignment in respect of the sale and purchase of the 95% equity interest in Titan Quanzhou Shipyard with GZE, the partial receipt of RMB740,000,000 (equivalent to approximately HK$934,177,000) has been presented as amount due to the ultimate holding company as at 30 June 2013. Details of the above were set out in notes 6(a) and 31.

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

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

The outstanding principal in respect of the Senior Notes Due 2012 as at 30 June 2013 and 31 December 2012 was US$105,870,000 (equivalent to approximately HK$825,786,000). On the maturity date, 19 March 2012, the Company was unable to repay overdue principal and interest on the Senior Notes Due 2012 in the amount of US$105,870,000 (equivalent to approximately HK$825,786,000) and US$4,499,000 (equivalent to approximately HK$35,092,000) respectively.

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

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

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

On 6 September 2012, the winding-up petition against the Company at the Bermuda court remained undismissed or unstayed for a period of 60 consecutive days, which, in turn, constituted an event of default under the Convertible Notes Due 2015 as set out in note 31.

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

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

On 6 September 2012, the winding-up petition against the Company 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 as set out in note 31.

23. CONVERTIBLE PREFERRED SHARES

In 2007, the Company issued 555,000,000 Titan preferred shares at the stated value of HK$0.56 per share and TGIL 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.

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

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

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

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

24. 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.

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.

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

The loss on derecognition of derivative financial instruments not qualified as hedges of HK$176,049,000 represented the derecognition of derivative financial instruments of the K-Line Notes Due 2013 when it was due on 31 March 2013.

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

On 14 July 2009, the Company, Titan Oil Storage Investment Limited ("TOSIL"), Warburg Pincus and TGIL entered into an agreement by which TOSIL and Warburg Pincus became entitled to provide, pro rata to their shareholdings in TGIL, funding of up to HK$312.6 million (equivalent to approximately US$40.1 million) to TGIL through the subscription of the TGIL Notes Due 2014. On the same day, Warburg Pincus exercised its option to subscribe for the TGIL Notes Due 2014 in the principal amount of HK$156 million (US$20 million).

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26. SHARE CAPITAL

Shares

	30 June 2013 (Unaudited)		31 December 2012 (Audited)	
	Number of shares	Nominal value of shares HK$'000	Number of shares	Nominal value of shares HK$'000
Authorised:				
Ordinary shares of HK$0.01 each at 30 June 2013/31 December 2012 (note (a))	**14,445,000,000**	**144,450**	14,445,000,000	144,450
Convertible preferred shares of HK$0.01 each at 30 June 2013/31 December 2012	**555,000,000**	**5,550**	555,000,000	5,550
Issued and fully paid:				
Ordinary shares of HK$0.01 each at 30 June 2013/31 December 2012	**7,820,554,682**	**78,206**	7,820,554,682	78,206
Convertible preferred shares of HK$0.01 each at 1 January and 30 June 2013/ 31 December 2012	**555,000,000**	**5,550**	555,000,000	5,550

Notes:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

27. DEFICITS

	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 2013	**2,473,241**	**18,261**	**20,171**	**175**	**–**	**166,253**	**(5,894,880)**	**(3,216,779)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(36,772)**	**–**	**(36,772)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(5,147,102)**	**(5,147,102)**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**(36,772)**	**(5,147,102)**	**(5,183,874)**
Transfer to accumulated losses upon lapse of share options after vesting period	**–**	**–**	**(14,017)**	**–**	**–**	**–**	**14,017**	**–**
Share option expenses	**–**	**–**	**82**	**–**	**–**	**–**	**–**	**82**
Released upon deconsolidation of subsidiaries	**–**	**–**	**–**	**–**	**–**	**(4,116)**	**–**	**(4,116)**
At 30 June 2013 (Unaudited)	**2,473,241**	**18,261**	**6,236**	**175**	**–**	**125,365**	**(11,027,965)**	**(8,404,687)**
At 1 January 2012	2,473,241	18,261	38,778	559	57,399	431,254	(2,628,764)	390,728
Exchange differences on translation of foreign operations	–	–	–	–	–	(1,487)	–	(1,487)
Loss for the period	–	–	–	–	–	–	(1,467,990)	(1,467,990)
Total comprehensive loss for the period	–	–	–	–	–	(1,487)	(1,467,990)	(1,469,477)
Equity-settled share option arrangements	–	–	(313)	–	–	–	–	(313)
Realised on deemed disposals of partial interest in a jointly-controlled entity*	–	–	–	–	–	(4)	–	(4)
Transfer to accumulated losses upon lapse of share options after vesting period	–	–	(3,768)	–	–	–	3,768	–
Transfer to PRC statutory reserve	–	–	–	175	–	–	(175)	–
Released upon deconsolidation of a jointly-controlled entity	–	–	–	(559)	(57,399)	(234,524)	615,968	323,486
At 30 June 2012 (Unaudited)	2,473,241	18,261	34,697	175	–	195,239	(3,477,193)	(755,580)

* During the period ended 30 June 2012, SSL exercised its subscription rights under the warrant issued by TGIL. TGIL allotted and issued 3,507 new ordinary shares to SSL and resulted in a dilution of 0.67% to the Group's equity interest in jointly-controlled entities.

Share premium

The application of share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda.

27. DEFICITS (Continued)

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 Bermuda Companies Act 1981, 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.

PRC Statutory reserve

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.

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 (Hong Kong dollars) 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.

28. COMMITMENTS

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Commitments for shipbuilding and ship repair facilities in Mainland China*	**860,534**	846,408

* At 30 June 2013 and 31 December 2012, such commitments were associated with the disposal group classified as held for sale.

29. OPERATING LEASE ARRANGEMENTS

a) As lessor

At 30 June 2013 and 31 December 2012, the Group did not lease out any vessels and leasehold land and buildings under operating lease arrangements to third parties.

At the end of the reporting period, the Group had no total future minimum lease receivables under non-cancellable operating leases.

29. OPERATING LEASE ARRANGEMENTS (Continued)

b) As lessee

At 30 June 2013, the Group did not lease any vessels under operating lease arrangements to third parties. Leases for office premises are negotiated for terms ranging from one to three years.

At 31 December 2012, leases for the vessels were negotiated for terms ranging three to five years and leases for office premises were negotiated for terms ranging from one to three years.

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

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Vessels		
Within one year	**–**	55,517
From second to fifth years, inclusive	**–**	104,294
	–	159,811
Office premises		
Within one year	**3,861**	8,626
From second to fifth years, inclusive	**5,497**	13,107
	9,358	21,733
	9,358	181,544

30. GUARANTEES

As at 30 June 2013, guarantees with aggregated amounts of HK$344,358,000 (31 December 2012: HK$314,478,000) by the Company to (i) a bank for a loan to a subsidiary of the Group, (ii) ship owners for the charter hire expenses to a subsidiary of the Group and (iii) the K-Line Notes Due 2013.

At the end of the reporting period, an amount of HK$344,358,000 (31 December 2012: HK$102,117,000) has been recognised in the Company's statement of financial position as liabilities.

As at 31 December 2012 guarantees aggregated 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. As a result, an amount of HK$2,361,000 has been recognised in the consolidated statement of financial position as liabilities. This guarantee had been released during the period upon settlement.

Other than those as disclosed above, the Group and the Company had no other material guarantees outstanding as at 30 June 2013 and 31 December 2012.

31. 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 USD23,021,040.61 and SGD5,296,30. TSL and the Company have also counterclaimed against Mayfair for USD20,755,188.89.

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

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 relate 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 USD20,755,188.89. Edinburgh and Camden have also counterclaimed against the Company and TSL for USD7,449,911.02 and USD6,425,312.50 respectively.

The parties are currently at the stage of exchanging evidence.

31. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings

On 4 July 2012, the Company received from SPHL a notice to redeem all of the outstanding 555,000,000 Titan preferred shares held by it at a redemption amount equal to the notional value of the Titan preferred shares (being HK$310.8 million) together with any accrued and unpaid dividends. Redemption monies are 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"). Further details in respect of the above are included in the Company's announcement dated 13 May 2013.

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

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 the above 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").

31. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

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

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

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

iii) the Titan Stay Application was dismissed;

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

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

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

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

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

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

31. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

The winding up petition against the Company by KTL Camden Inc. (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, the Bermuda Court ordered that the Company and Camden to agree on setting up an informal committee of creditors (the "Informal Committee") to facilitate information exchange between the Company and its creditors, failing which the Bermuda Court would make an order in this regard. No agreement was reached between the Company and Camden and hence, the Bermuda Court made an order on 10 September 2013 for the set of the Informal Committee.

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

31. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

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

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

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

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

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

On 14 February 2014, the order made by the Bermuda Court on 18 October 2013 (Bermuda time) in relation to the appointment of the JPLs of the Company was varied as follows:

i) the JPLs would have the following powers (among others):

1) to consult with the Company in respect of, and review, on an ongoing basis, all issues relating to feasibility of the restructuring proposal of the Company or any variation thereof, including with respect to the necessary steps which need to be taken, and conditions to be met, in order for such restructuring proposal to be successfully implemented;

2) to consider the terms of any scheme of arrangement proposed by the Company under the provisions of section 99 of the Companies Act 1981 of Bermuda and, if so advised, to report to the Bermuda Court thereon at or before the hearing of the application to convene a scheme meeting. In this regard the Company shall at least seven days prior to any application being made to the Bermuda Court to convene a scheme meeting provide to the JPLs a final draft of the Company's application to convene a scheme meeting;

3) to review the financial position of the Company and in particular to assess the feasibility of any restructuring proposal of the Company;

31. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

i) (Continued)

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

5) to monitor, consult with and otherwise liaise with the creditors and shareholders of the Company in determining whether any restructuring proposal will be successfully implemented; and

6) 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 jurisdiction, solely insofar as reasonably necessary to permit the JPLs to exercise and discharge their powers and functions;

ii) save as specifically set out in the order, the JPLs will have no general or additional powers or duties with respect to the property or records of the Company, and the Board will continue to manage the Company's affairs in all respects and exercise the powers conferred upon it by the Company's Memorandum of Association and Bye-laws, provided always that, should the JPLs consider at any time that the Board is not acting in the best interests of the Company and its creditors, the JPLs shall have the power to report the same to the Bermuda Court and seek such directions from the Bermuda Court as the JPLs are advised are appropriate;

iii) the JPLs shall be entitled 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;

iv) the Company shall at all times comply with the Funding Terms referred to in the letter, dated 13 February 2014, from the JPLs to the Company; and

v) the Company shall procure that any necessary instructions are given to the liquidator of TGIL (the "Liquidator") to ensure that any dividends payable by the Liquidator after the date of the order be paid into an account to be nominated by the JPLs to be held in such account for the benefit of creditors until otherwise directed by the Bermuda Court.

Further details in respect of the above are included in the Company's announcement dated 18 February 2014.

On 28 February 2014 (Bermuda time), at which the Bermuda Court ordered a further adjournment of the Camden Petition to 7 March 2014 (Bermuda time) to allow GZE to consider if it would be willing to fund the costs of the Company's debt restructuring on an unsecured basic, and if GZE was not willing to do so, the Company would be wound up. Further details in respect of the above are included in the Company's announcement dated 4 March 2014 and 6 March 2014 respectively.

31. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

At the hearing held on 7 March 2014 (Bermuda time), a draft unsecured loan agreement (the "Loan Agreement") to be entered into between the Company and Fame Dragon, in relation to the provision of an unsecured loan by Fame Dragon to the Company was presented to the Bermuda Court. The Bermuda Court ordered that:

a) the Company be permitted to enter into the Loan Agreement with Fame Dragon;

b) the Camden Petition be adjourned to 17 April 2014; and

c) the Company and the JPLs of the Company be awarded 90% of the costs of the hearing as against Camden in any event of the cause.

Further details in respect of the above are included in the Company's announcement dated 11 March 2014.

At the hearing held on 17 April 2014 (Bermuda time), the Bermuda Court ordered a further adjournment of the Camden Petition to 16 May 2014.

Further details in respect of the above are included in the Company's announcement dated 22 April 2014.

c) BVI Proceedings

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

On 17 July 2012 (BVI time), the BVI Court ordered the 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.

31. CONTINGENT LIABILITIES (Continued)

d) Hong Kong Proceedings

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

On 14 September 2012, the Company received a statement of claim filed by SSL in connection with the Writ. Further details in respect of the above 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 the Hong Kong Court.

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

e) PRC Proceedings

On 11 December 2010, the Company entered into (i) a 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 (the "GCL Sale and Purchase Agreement"); (ii) a subscription agreement in relation to the issue of subscription shares to Grand China Logistics; and (iii) a management agreement in relation to the engagement of the Company to manage the business operations of Titan Quanzhou Shipyard for the term commencing from the completion of the GCL Sale and Purchase Agreement until 31 December 2012. The consideration for the proposed disposal is RMB1,865,670,000 or a maximum reduced consideration 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).

31. CONTINGENT LIABILITIES (Continued)

e) PRC Proceedings (Continued)

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 obligation under its guarantee to repay such amount. It has also come to the notice of the Company that a restriction might 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).

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.

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 Court.

31. CONTINGENT LIABILITIES (Continued)

e) PRC Proceedings (Continued)

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

In addition, the Company had also been notified that the Shanghai Intermediate Court, on 23 December 2013, also 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.

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.

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 and interests in the indebtedness (the "Indebtedness") owned by Titan Quanzhou Shipyard to the Fuzhou branch of Shanghai Pudong Development Bank Co., Ltd. and the collateral and guarantee granted in respect of the Indebtedness (the "Securities"). Titan Quanzhou Shipyard had been in default on its payment obligations under the Indebtedness and the Securities are liable to be enforced by GZE. Further details in respect of the above are included in the Company's announcement dated 14 January 2014.

Other than the contingent liabilities as disclosed above, the Group and the Company had no other material contingent liabilities as at 30 June 2013 and 31 December 2012.

32. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these unaudited condensed consolidated interim financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties in the Group's normal course of business:

a) Tenancy agreement with Titan Oil Pte Ltd ("Titan Oil")

During the period, the Group paid total rent of HK$170,000 (period ended 30 June 2012: HK$1 million) to Titan Oil, the Group's ultimate holding company, for the lease of office premises, which was charged based on prevailing market rental rates.

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

During the period, the Group paid a total amount of HK$Nil (period ended 30 June 2012: US$5.1 million (approximately HK$40 million)) charter fees to Oceanic Shipping, a company incorporated in Singapore and wholly-owned by a director. The amount was comparable to the prevailing market rates for similar bareboat charters and terms.

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

c) Advances from/to Titan Oil and its subsidiaries

At 30 June 2013, the Group had an amount due from a subsidiary of Titan Oil of RMB874,000 (equivalent to approximately HK$1,103,000) (31 December 2012: RMB874,000 (equivalent to approximately HK$1,085,000)) and an amount due to a subsidiary of Titan Oil of RMB14,319,000 (equivalent to approximately HK$18,077,000) (31 December 2012: RMB14,319,000 (equivalent to approximately HK$17,770,000)) which were unsecured, interest-free and had no fixed terms of repayment.

d) Bank guarantee

At 31 December 2012, a personal guarantee and security of certain shares of the Company were provided by one of the former directors of the Company to a bank in connection with bank loans of RMB1,419 million (equivalent to HK$1,762 million) granted to Titan Quanzhou Shipyard. During the period, the bank assigned its rights and interests with respect to these loans and related security interests to China Cinda Asset Management Co., Ltd.

At 30 June 2013, such guarantee granted by the former director of the Company was RMB1,429 million (equivalent to approximately HK$1,804 million).

e) Loan from the immediate holding company

At 30 June 2013, the Group had an interest accrued of HK$11,000 in respect of a loan from Fame Dragon. The loan was unsecured, carried interest at 2% per annum and was repayable within 1 year. The loan was fully repaid in January 2013.

33. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this Report, the events that the Group had after the reporting period were as follow set out below.

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 the Company withdrawn or dismissed and the provisional liquidators discharged.

b) Convertible bonds subscriptions

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

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

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

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

33. EVENTS AFTER THE REPORTING PERIOD (Continued)

c) Liquidation of subsidiaries

Due to the Group cost control efforts, the following subsidiaries were placed into liquidation subsequent to 30 June 2013 and up to 31 December 2013:

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

The following subsidiaries were placed into liquidation subsequent to 30 June 2013 and up to the date of this report:

i) Titan Leo Pte. Ltd.
ii) Petro Titan Pte. Ltd.
iii) Neptune Associated Shipping Pte Ltd
iv) Roswell Pacific Ltd.
v) Sewell Global Ltd.
vi) Sino Ocean Development Limited
vii) Brookfield Pacific Ltd.
viii) Estonia Capital Ltd.
ix) Titan Mars Limited
x) Titus International Ltd.
xi) Wendelstar International Ltd.
xii) Wynham Pacific Ltd.

Save the above subsidiaries operated in Singapore were put into liquidation during the period and subsequent to 30 June 2013, most of their books and records have since been under the control of the liquidator.

33. EVENTS AFTER THE REPORTING PERIOD (Continued)

d) Proposed debt restructuring

In addition to the convertible bonds subscription, 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. Details of the above were set out in the Company's announcement dated 15 March 2013.

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. Up to the date of this report, the issue of unlisted convertible bonds are still in negotiation with the relevant parties and the 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 33(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. Up to the date of this report, the debt restructuring proposal are still in discussion with the relevant parties and the 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.

iii) At the hearing of the Bermuda Court held on 7 March 2014, the Company was permitted to enter into the Loan Agreement with Fame Dragon. The Loan Agreement was entered into between Fame Dragon and the Company on 13 March 2014, pursuant to which Fame Dragon agreed to provide an unsecured loan for meeting costs incurred by the Company in relation to the Company's debt restructuring plan or any other purpose agreed by Fame Dragon and the Bermuda Court, but not including the repayment of any debt which is included in the Company's debt restructuring plan, on request of the Company of up to approximately HK$62.24 million at an interest rate of 2% per annum payable on maturity. Details of the above were set out in the Company's announcement dated 11 March 2014 and 1 April 2014,

33. EVENTS AFTER THE REPORTING PERIOD (Continued)

e) Demand for repayment of Indebtedness

On 4 March 2014, the Company received a demand letter from GZE for the immediate repayment of the indebtedness by 廣州泰山石化有限公司 (Guangzhou Titan Petrochemical Co., Ltd.) ("Guangzhou Titan") pursuant to a debt transfer agreement dated 31 December 2013 entered into between GZE and Guangzhou Huanshi East Road Branch of Ping An Bank Co., Ltd. (formerly the Guangzhou Shuiyin Branch of Shenzhen Development Bank Co., Ltd.) ("Ping An Bank"). Ping An Bank has transferred to GZE its rights and interests in the indebtedness owed by Guangzhou Titan in the principal amount of RMB39,000,000 and the accrued interest of RMB3,600,000 (the "Indebtedness") and the guarantee granted by the guarantors in respect of the Indebtedness.

On the same date, 嵊泗海鑫石油有限公司 (Shengsi Haixin Petrochemicals Co., Ltd.) ("Shengsi Haixin"), a wholly-owned subsidiary of the Company, received a letter from GZE dated 4 March 2014 whereby GZE requested Shengsi Haixin to prepare for punctual repayment of the loan made available by GZE to Shengsi Haixin pursuant to a loan agreement dated 25 November 2013 and entered into between GZE and Shengsi Haixin.

Details of the above demand repayment of indebtedness by Guangzhou Titan and Shengsi Haixin were set out in the Company's announcement dated on 6 March 2014.

f) Management service agreement

On 9 April 2014, the Company, Titan Quanzhou Shipyard and FELS Offshore Pte Ltd ("FELS") entered into a management services agreement (the "Management Service Agreement"), pursuant to which FELS has conditionally agreed to provide management services for the operations of the shipyard in Quanzhou, the PRC owned by Titan Quanzhou Shipyard for a return of (i) a fixed annual fee; and (ii) a variable fee, being a percentage of the net revenue. The Management Services Agreement is subject to the satisfaction of certain conditions precedent, of which is all regulatory requirements, registrations or formalities required for the deed of undertaking (the "Deed of Undertaking") to be executed by GZE, in favour of FELS and all of its related corporations (collectively, the "Keppel Group"), pursuant to which GZE will provide certain undertakings and guarantees to and for the benefit of FELS and all members of the Keppel Group having been complied with or obtained. Details of the Management Service Agreement were set out in the Company's announcements dated on 1 April 2014, 11 April 2014, 14 April 2014 and 15 April 2014 respectively.

34. 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 payables, financial assets included in deposits and other receivables, financial liabilities included in other payables and accruals, amount due to the ultimate holding company, pledged deposits and restricted cash, cash and cash equivalents approximate to their carrying amounts largely due to the short term maturities of these instruments.

34. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

The fair values of the liability portion of the convertible preferred shares are estimated using equivalent market interest rates for similar instruments. There is no non-current position of the above financial instruments.

At 31 December 2012, the fair values of embedded derivative financial instruments included under the Convertible Notes Due 2015 and the K-Line Notes Due 2013 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)

The Company did not have any financial assets measured at fair value as at 30 June 2013 and 31 December 2012.

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

At 30 June 2013, 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 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.

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

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

Note: Share options carrying rights to subscribe for ordinary shares of the Company were granted on 1 February 2008 pursuant to the 2002 Share Option Scheme.

Approximate percentage of shareholding is calculated based on 7,820,554,682 ordinary shares of the Company issued as at 30 June 2013.

Save as disclosed above, at 30 June 2013, none of the directors or the chief executive had registered any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

SHARE OPTION SCHEME

Movements in the share options during the six months ended 30 June 2013 under the share option schemes adopted by the Company on 31 May 2002 (as amended on 24 June 2010) (the "2002 Share Option Scheme") and on 20 June 2011 (the "New Share Option Scheme") are set out below.

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a) 2002 Share Option Scheme

The following share options under the 2002 Share Option Scheme were outstanding at 30 June 2013:

Name or category of participant	Number of share options: At 1 January 2013	Granted during the period	Lapsed during the period	Exercised during the period	At 30 June 2013	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	7,975,000	–	(7,975,000)	–	–	20 February 2006	20 February 2008 to 19 February 2013	0.72
	7,050,000	–	(5,600,000)	–	1,450,000	1 February 2008	1 February 2010 to 31 January 2015	0.45
	33,196,000	–	(26,966,000)	–	6,230,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	24,706,000	–	(19,286,000)	–	5,420,000	1 February 2008	1 February 2012 to 31 January 2017	0.45
	26,988,000	–	(20,988,000)	–	6,000,000	1 February 2008	1 February 2013 to 31 January 2018	0.45
	99,915,000	–	(80,815,000)	–	19,100,000			
	119,915,000	–	(80,815,000)	–	39,100,000			

* 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 were 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 adjustment in the case of rights or bonus issues, or other similar changes in the share capital of the Company.

During the period, no share options were granted, exercised or cancelled.

b) New Share Option Scheme

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" and "Share Option Scheme" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors to acquire such rights in any other body corporate.

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

At 30 June 2013, 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 percentage (%) of shareholding** (Note 6)
Mr. Tsoi Tin Chun	Interest of controlled corporations	3,556,353,661	45.47
Ms. Tsoi Yuk Yi	Interest of spouse	3,556,353,661 (Note 1)	45.47
Titan Oil	Interest of a controlled corporation/ Beneficial owner	3,556,353,661 (Note 1)	45.47
Great Logistics Holdings Limited	Interest of controlled corporations/ Beneficial owner	3,224,477,760 (Note 1)	41.23
Moral Base Investment Limited	Beneficial owner	1,000,000,000	12.79
Mr. Wong Chi Leung	Interest of a controlled corporation/ Interest of spouse	1,000,000,000 (Note 2)	12.79
Ms. Wong Kwok Ying	Interest of a controlled corporation/ Interest of spouse	1,000,000,000 (Note 2)	12.79
Saturn Petrochemical Holdings Limited	Beneficial owner	555,000,000	7.10
Sunny Mallow Limited	Interest of a controlled corporation	555,000,000 (Note 3)	7.10
Warburg Pincus & Co.	Interest of a controlled corporation	555,000,000 (Note 3)	7.10

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Name	Capacity	Number of shares and underlying shares	Approximate percentage (%) of shareholding (Note 6)
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
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	3,556,353,661 42,410,932,480 (Note 5)	587.77%
Fame Dragon International Investment Limited	Beneficial owner	3,556,353,661	45.47%

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Note 1: 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. Titan Oil directly held 331,875,901 shares and Titan Oil Pte Ltd ("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 and Ms. Tsoi were deemed to be interested in the shares of the Company held by Titan Oil, Great Logistics, TSICL and Vision Jade as at 30 June 2013.

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 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.

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

Note 3: Based on the disclosure of interests notices filed with the Stock Exchange on 29 May 2013, Saturn Petrochemical Holdings Limited ("SPHL") was interested in 555,000,000 ordinary shares of the Company. Pursuant to the SFO, as Sunny Mallow Limited, Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus IX, LLC and Warburg Pincus Private Equity IX, L.P. had 100% control over SPHL, each of Sunny Mallow Limited, Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus IX, LLC and Warburg Pincus Private Equity IX, L.P. were 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 after 4 July 2012.

Note 4: Based on the disclosure of interests notices filed with the Stock Exchange on 23 December 2010, Grand China Logistics Holding (Group) Company Limited ("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 interests of Grand China Logistics in the Company.

Grand China Logistics, Haikou Meilan and Hainan Development were deemed to be ceased to have interests in the ordinary shares of the Company following the lapse of subscription agreement dated 11 December 2010 entered into between the Company and Grand China Logistics in relation to the subscription for 500,000,000 new shares of the Company on 11 December 2012 (i.e. one year after the date of the subscription agreement).

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 ("Preferred Shares A") and provide an equity line by subscribing 780,000,000 new non-voting participating convertible preferred shares ("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 30 June 2013.

Save as disclosed above, at 30 June 2013, no person, other than the directors and the chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2013, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities during the period.

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.

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Mr. Tsoi Tin Chun resigned as a non-executive director of the Company as well as ceased to act as a member of the remuneration committee and an authorised representative of the Company under the Listing Rules with effect from 5 February 2013.

Mr. Fu Yong Yuan, an executive director of the Company, has been appointed as an authorised representative of the Company under the Listing Rules with effect from 5 February 2013.

Mr. Hu Zhong Shan, a non-executive director of the Company, has been appointed as a member of the remuneration committee of the Company with effect from 5 February 2013.

Mr. Zhao Xu Guang, an executive director and chairman of the Board, ceased to act as the acting chief executive of the Company with effect from 26 March 2013. He has been appointed as the chairman of the nomination committee with effect from 24 March 2014.

Mr. Fan Qinghua has been appointed as a non-executive director of the Company with effect from 26 March 2013.

Mr. Tang Chao Zhang has been appointed as an executive director and the chief executive of the Company with effect from 26 March 2013.

Mr. Shane Frederick Weir retired as an independent non-executive director of the Company as well as ceased to act as the chairman of the remuneration committee, a member of each of the audit committee and the nomination committee of the Company with effect from the conclusion of the annual general meeting of the Company held on 30 September 2013.

Mr. Foo Meng Kee has been appointed as an independent non-executive director of the Company, the chairman of the remuneration committee and a member of each of audit committee and nomination committee of the Company with effect from 27 December 2013.

Mr. John William Crawford retired as an independent non-executive director of the Company as well as ceased to act as the chairman of the audit committee of the Company upon expiry of his contract on 27 February 2014.

Mr. Abraham Shek Lai Him retired as an independent non-executive director of the Company as well as ceased to act as a member of each of audit committee, remuneration committee and nomination committee of the Company upon expiry of his contract on 27 February 2014.

Mr. Lau Fai Lawrence has been appointed as an independent non-executive director of the Company, the chairman of the audit committee and a member of the remuneration committee of the Company with effect from 13 March 2014.

Mr. Cheung Hok Fung Alexander has been appointed as an independent non-executive director of the Company, a member of each of the nomination committee and the audit committee of the Company with effect from 24 March 2014.

Mr. Patrick Wong Siu Hung resigned as a member of the nomination committee of the Company with effect from 24 March 2014.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2013 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 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 Chief Executive came into effect.

According to code provision C.2.1 of the CG Code, the directors should at least annually conduct a review of the effectiveness of the Group's internal control systems and report to the shareholders that they have done so in the Corporate Governance Report. As the Group's internal auditor left on 24 December 2012, no internal control review had been conducted in 2013. Despite this, all the controls, policies and procedures adopted are in place.

The directors have taken steps to engage an independent adviser to assist the Group to perform the review of the effectiveness of the internal control systems.

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 during the period, save as disclosed below, all the relevant directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2013.

On 29 April 2013, the Company entered into a subscription agreement (the "Wahen Subscription Agreement") with Wahen Investments Limited ("Wahen Investments") (which is wholly-owned by Mr. Zhao Xu Guang, the Chairman and Executive Director of the Company). The entering into the Wahen Subscription Agreement constitutes "dealing" in the shares of the Company in what is commonly called the "blackout period" of the Company during which dealings by directors are prohibited under Rule A.3(a) of the Model Code. On application by the Company, the Stock Exchange has granted a waiver from strict compliance with the applicable Rule under the Model Code. The reasons for making such application included:–

i) the urgent need for the Company to put together an alternative rescue financing proposal (since the previous proposal was voted down by shareholders at the special general meeting in late February 2013) in order to defend the petition which was set down for hearing on 1 May 2013;

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ii) the proposed subscription of the convertible bonds under the Wahen Subscription Agreement by Wahen Investments accounts for a material part (approximately 25.7%) of the alternative rescue financing proposal, and is on substantially the same terms as those to be made available to all shareholders under the open offer and to third party investor under the subscription agreements entered into with CGL Resources Ltd. and New Berkeley Corporation, except that the Wahen Subscription Agreement will be subject to independent shareholders vote where Mr. Zhao and his associates would be required to abstain from voting as required under Chapter 14A of the Listing Rules; and

iii) the Company has not been able to issue its interim results for the six months ended 30 June 2012 and final results for the year ended 31 December 2012 to end the "blackout period" in time for the signing of the Wahen Subscription Agreement before submission deadlines for the Bermuda Court's hearing of the petition.

REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The members of the audit committee of the Company during the period and up to the date of this report were Mr. Lau Fai Lawrence *(chairman)* (appointed on 13 March 2014), Mr. Foo Meng Kee (appointed on 27 December 2013) and Mr. Cheung Hok Fung Alexander (appointed on 24 March 2014). Mr. Shane Frederick Weir was appointed on 29 June 2012 as a member of the audit committee and retired on 30 September 2013. Mr. John William Crawford and Mr. Abraham Shek Lai Him ceased to be the chairman and a member of the audit committee respectively upon the expiry of their contracts on 27 February 2014.

The audit committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013.

CONTINUED SUSPENSION IN TRADING

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