2013
ANNUAL 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
Oversea-Chinese Banking Corporation Limited
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

CONTENTS

2	Chairman's Statement
4	Directors' Biographies
7	Management Discussion and Analysis
16	Corporate Governance Report
27	Report of the Directors
38	Independent Auditors' Report
47	Consolidated Statement of Profit or Loss
48	Consolidated Statement of Profit or Loss and Other Comprehensive Income
49	Consolidated Statement of Financial Position
51	Consolidated Statement of Changes in Equity
52	Consolidated Statement of Cash Flows
55	Statement of Financial Position
56	Notes to the Consolidated Financial Statements
154	Five Year Financial Summary
155	List of Major Announcements

CHAIRMAN'S STATEMENT

During the year ended 31 December 2013, the board of directors (the "Board") of Titan Petrochemicals Group Limited (the "Company" or "Titan", together with its subsidiaries, collectively the "Group") continued to deal with various problems and challenges left behind by its ex-management. During the period under review, the Group faced crippling financial hardship, and with aborted source of revenue due to suspension of the Group's business operations and the persistent pressures from the financial difficulties and various lawsuits, loss of the Group for the year had increased to approximately HK$4,570 million. The Group continued to take active approach toward the various legal actions against it. Notwithstanding the Company's situation, Guangdong Zhenrong Energy Co., Ltd. ("GZE") provided support to the restructuring of the business and indebtedness of the Group by, among other things, the acquisition of all the rights, interests and obligations under the agreement for the disposal of the equity interest in Titan Quanzhou Shipyard Co. Ltd. ("Titan Quanzhou Shipyard") from Grand China Logistics Holding (Group) Company Limited ("Grand China Logistics"), as well as the acquisition of the indebtedness owed by Titan Quanzhou Shipyard from third parties. It did not only lead to the discontinuation of the legal proceedings in the PRC with respect to the disposal of Titan Quanzhou Shipyard, but also safeguard the foundation, the shipyard in Quanzhou owned by Titan Quanzhou Shipyard (the "Shipyard") and related assets, for the Group's long term business development.

The Company put forward a restructuring proposal in November 2013 and has since then, taken active steps to seek the support from its creditors and potential creditors. We are glad that a majority of the creditors have expressed their support of the restructuring proposal. However, the future of Titan is still subject to, among other things, the affirmative vote by the requisite majority of the creditors on the scheme(s) of arrangement under the restructuring proposal.

OUTLOOK

With the best endeavors from the newly appointed management as well as the strong support from GZE, there is a silver lining. The management, with a prudent, sincere and pragmatic attitude, will continue to make every effort on the implementation of restructuring proposal taking all the stakeholders' interest into account and to benefit the creditors, the shareholders and the staff member of the Company.

It is worth highlighting that in April 2014, the Group entered into a co-operation arrangement with FELS Offshore Pte Ltd ("FELS" and together with its related corporations, the "Keppel Group"), a subsidiary of Keppel Offshore & Marine Ltd, which in turn is a subsidiary of Keppel Corporation Limited, a company listed on the Singapore Securities Exchange. Keppel Offshore & Marine Ltd is the leader in offshore rig design, construction and repair, ship repair and conversion and specialised shipbuilding. The Company, Titan Quanzhou Shipyard and FELS entered into a management services agreement (the "Management Services Agreement") for 30 years pursuant to which FELS will make available certain employees of FELS or any member of the Keppel Group to Titan Quanzhou Shipyard to supervise and manage the operations of the Shipyard. Through the cooperation with the Keppel Group, the Company intends to develop the Shipyard into a leading marine engineering equipment manufacturer and service provider in China and even in Asia. Under the Management Services Agreement, FELS also has the right to subscribe for up to 9.9% equity in the Company, which, if the subscription materializes, will strengthen the relationship between the Group and the Keppel Group.

CHAIRMAN'S STATEMENT

Under the Management Services Agreement, several pre-conditions have to be satisfied before the agreement will come into effect, such conditions include, among others, completion of the debt restructuring of the Company and resumption of trading in the Company's shares on the Hong Kong Stock Exchange. Setting the completion of restructuring and resumption of trading as the goals in this stage, with support from GZE, the management of the Company is currently making every effort to obtain the support from every creditor and shareholder, thereby every stakeholder would share such a valuable and remarkable venture.

Zhao Xu Guang
Chairman

Hong Kong, 30 April 2014

DIRECTORS' BIOGRAPHIES

MR. ZHAO XU GUANG

Chairman and Executive Director

Mr. Zhao, aged 50, has been the Chairman and an Executive Director of the Company since 3 July 2012 and was appointed as the Chairman of the nomination committee on 24 March 2014. He is responsible for the Group's strategic planning for new projects and corporate development and also overseeing the Group's overall operations and performance with the support of the management team. He is currently a co-chairman of 中國富強基金會有限公司 (China Fortune Foundation Limited). From 1987 to 1991, he worked for 中國對外經濟貿易部 (China Foreign Economic and Trade Department). In the past, he acted as general manager, chairman and director of various enterprises specializing in trading, investment, property and in the energy field. Mr. Zhao has 20 years of working experience in corporate management, securities investment, corporate merger and restructuring and commercial disputes. He graduated from Guangdong University of Foreign Studies with a Bachelor of Economics degree.

MR. TANG CHAO ZHANG

Chief Executive and Executive Director

Mr. Tang, aged 39, was appointed as the Chief Executive and an Executive Director of the Company on 26 March 2013. He is currently a vice-president of Guangdong Zhenrong Energy Co., Ltd. ("GZE") and a director of Fame Dragon International Investment Limited ("Fame Dragon"). From 2008 to 2011, Mr. Tang took up the role of vice-president of 廣東振戎石油化工有限公司 (Guangdong Zhenrong Petrochemical Co., Ltd). He is also a director of Fame Dragon Singapore Pte Ltd. and 雲南振戎潤德珠寶有限公司 (Yunnan Zhenrong Runde Jewellery Ltd). Mr. Tang graduated from Guangdong University of Foreign Studies with a Bachelor of Arts degree in International Marketing.

MR. PATRICK WONG SIU HUNG

Executive Director

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

MR. FU YONG YUAN

Executive Director

Mr. Fu, aged 58, was appointed as an Executive Director of the Company on 3 July 2012 and the chairman of Titan Quanzhou Shipyard Co., Ltd in August 2012. He was a general manager of Rojam Entertainment Holdings Limited. Mr. Fu has over 40 years of experience in shipping and freight management. He served in COSCO System for two decades from 1972 to 1992, Mr. Fu worked for 廣州遠洋運輸公司 (COSCO Guangzhou) and was responsible for managing freight, container transportation and vessel chartering operations. He was a general manager of 中遠系統福星航運企業有限公司廣州分公司(COSCO FuXing Shipping Enterprises Limited Guangzhou Branch) and a general manager and an executive director of 廣東華銓船務有限公司 (Guangdong HuaQuan Shipping Limited). Mr. Fu, a marine engineer and an economist in shipping management, graduated from Guangdong Province Economics Management Institute majoring in Industrial Economic Management.

DIRECTORS' BIOGRAPHIES

MR. HU ZHONG SHAN

Non-executive Director

Mr. Hu, aged 59, was appointed as a Non-executive Director of the Company on 29 August 2012 and was appointed as a member of the remuneration committee on 5 February 2013. He is currently the chairman of 亞洲興業發展有限公司 (Asian Inc. Development Limited). He was also a general manager of 海南柯達彩擴中心 (Hainan Keda Cai Kuo Centre), a vice president of 誠成企業集團（中國）有限公司 (Cheng Cheng Enterprises Group Co., Ltd. (China)), a director of 誠成文化股份有限公司 (Cheng Cheng Culture Inc) and a chairman of 健發控股有限公司 (Jian Fa Holdings Limited). He specializes in PRC legal affairs and commercial dispute resolutions. Mr. Hu studied law at the Wuhan Executive School of Management.

MR. FAN QINGHUA

Non-executive Director

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

MR. FOO MENG KEE

Independent Non-executive Director

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

Mr. Foo served in Hitachi Zosen Singapore Ltd. ("Hitachi") from 1976 to 1998 and he successfully led the listing of the company on the main board of the Singapore Exchange Limited (the "Singapore Exchange") in 1992. Presently, Mr. Foo is the principal owner and the managing director of MK Capital Pte Ltd and MK Marine Pte Ltd. He also holds directorships in the following companies listed on Singapore Exchange: Sinarmas Land Limited and Lee Metal Group Ltd, being the Independent Director and the Chairman of the Audit Committee; and Jiutian Chemical Group Limited, being the Non-executive and Independent Director. Mr. Foo is currently an Independent Non-executive Director (appointed on 29 April 2014) of Courage Marine Group Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Singapore Exchange.

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

DIRECTORS' BIOGRAPHIES

MR. LAU FAI LAWRENCE

Independent Non-executive Director

Mr. Lau, aged 42, was appointed as an independent non-executive director of the Company on 13 March 2014 and is also the chairman of the audit committee and a member of the remuneration committee.

Mr. Lau is currently a practising certified public accountant in Hong Kong, a member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants in the UK. Mr. Lau graduated from the University of Hong Kong with a bachelor's degree in business administration in 1994 and obtained a master's degree in corporate finance from Hong Kong Polytechnic University in 2007.

Mr. Lau is the company secretary of BBMG Corporation, a company listed on the main board of the Stock Exchange. Mr. Lau is an executive director of China Packaging Group Company Limited and an independent non-executive director of Artini China Co. Ltd., both companies are listed on the main board of the Stock Exchange.

MR. CHEUNG HOK FUNG ALEXANDER

Independent Non-executive Director

Mr. Cheung, aged 49, was appointed as an Independent Non-executive Director of the Company on 24 March 2014 and is also a member of the audit committee and the nomination committee.

Mr. Cheung is currently a barrister practising in Hong Kong. He has over 20 years of experience in corporate governance, auditing, tax planning and compliance. He is a certified public accountant in Hong Kong and a chartered accountant of New Zealand. He holds a professional diploma in company secretaryship and administration from the Hong Kong Polytechnic, a master and a bachelor degree of laws from the University of New England, Australia.

Mr. Cheung currently serves as the lead independent director and chairman of audit committee in Combine Will International Holdings Limited, which is listed on the main board of the Singapore Exchange Limited. He was an independent non-executive director of Daqing Dairy Holdings Limited, a company listed on the main board of the Stock Exchange, during the period from 10 October 2010 to 15 June 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 December 2013, the Group's revenue from continuing operations was HK$644 million, compared to HK$1,272 million in the previous year. The loss before tax from continuing operations increased to HK$4,818 million, compared to HK$482 million in 2012. The loss for the year widened to HK$4,570 million, mainly comprised of the impairment losses on amounts due from deconsolidated subsidiaries amounted to HK$5,384 million and gain on deconsolidation of subsidiaries amounted to HK$1,236 million.

In view of the Group's financial position, the Board proposed not to declare any dividend for the 2013 fiscal year.

BUSINESS REVIEW

The Group has been a provider of logistics, transportation, distribution and marine services for petrochemical products in the Asia Pacific region 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 decreased by 96% to HK$14 million compared to last year. The segment loss before interest, tax, depreciation and amortisation ("LBITDA") increased to HK$198 million as compared to HK$58 million in the prior year.

Transportation

The Group offered transportation services for oil and petrochemical products to customers in the Southeast Asian regions during the year 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$5 million, as compared to HK$79 million in 2012.

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 dropped by 10% to HK$630 million in 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$2,131 million). This transaction, however, had not yet been completed as Grand China Logistics failed to comply with its payment obligations.

MANAGEMENT DISCUSSION AND ANALYSIS

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 earning before interest, tax, depreciation and amortisation ("EBITDA") was HK$455 million mainly due to the reversal of impairment of property, plant and equipment and prepaid land/seabed lease payments. Revenue and the segment LBITDA were HK$12 million and HK$2,271 million respectively in 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 2013. Revenue and the segment LBITDA were HK$77 million and HK$992 million respectively in 2012.

Deconsolidation of Subsidiaries

Titan Resources Management (S) Pte. Ltd. and Titan Bunkering Pte. Ltd. were put into voluntary liquidation on 6 June 2013.

Titan Ocean Pte Ltd was ordered to be wound up by the High Court of the Republic of Singapore on 28 June 2013.

Sino Mercury Pte. Ltd., Titan Aries Pte. Ltd., Titan Gemini Pte. Ltd., Titan Libra Pte. Ltd., Titan Mercury Shipping Pte. Ltd. and Titan Virgo Pte. Ltd. were put into voluntary liquidation on 19 July 2013. NAS Management Pte Ltd, Titan Chios Pte. Ltd., Titan Neptune Shipping Pte. Ltd., Titan Orient Lines Pte. Ltd., Titan Pisces Pte. Ltd., Titan Solar Pte Ltd, Sino Venus Pte. Ltd. and Far East Bunkering Services Pte Ltd were put into voluntary liquidation on 13 August 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 year ended 31 December 2013.

LIQUIDITY, FINANCIAL RESOURCES, CHARGES ON ASSETS AND GEARING

As at 31 December 2013, the Group net liabilities amounted to HK$7,724 million, compared to net liabilities of 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 31 December 2013,

a) The Group had:

- Cash and bank balances of HK$20 million (2012: HK$124 million) of which HK$0.2 million (2012: HK$1 million) was from the discontinued operation in respect of shipbuilding segment; pledged deposits and restricted cash of HK$487 million (2012: HK$604 million) were from continuing operations. These balances were comprised of:

  – an equivalent of HK$41 million (2012: HK$136 million) denominated in US dollars

  – an equivalent of HK$0.1 million (2012: HK$1 million) denominated in Singapore dollars

  – an equivalent of HK$461 million (2012: HK$529 million) of which HK$0.2 million (2012: HK$1 million) was from the discontinued operation, denominated in RMB

  – HK$5 million (2012: HK$4 million) in Hong Kong dollars

  – HK$58 million denominated in EURO as at 31 December 2012

- Interest-bearing bank loans of HK$706 million (2012: HK$2,625 million), of which HK$700 million (31 December 2012: HK$2,440 million) was from discontinued operation of shipbuilding segment. Floating rate loans denominated in US dollars amounted to HK$6 million (2012: HK$6 million). Group bank loans having maturities within one year amounted to HK$706 million (2012: HK$2,568 million) of which HK$700 million (2012: HK$2,383 million) related to discontinued operation in respect of shipbuilding segment

- Loans from the ultimate holding company having maturities within one year of HK$1,924 million (2012: HK$Nil), of which HK$1,829 million (2012: HK$Nil) was from discontinued operation of shipbuilding segment

- Loan from the immediate holding company of HK$3 million (2012: HK$10 million)

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$836 million (2012: HK$811 million)

- Bank balances and deposits of HK$461 million (2012: HK$578 million)

- Machinery with an aggregate net carrying value of HK$147 million (2012: HK$98 million)

- Buildings with an aggregate net carrying value of HK$453 million (2012: HK$454 million)

MANAGEMENT DISCUSSION AND ANALYSIS

- Prepaid land/seabed lease payments with an aggregate net carrying value of HK$338 million (2012: HK$330 million)
- Corporate guarantees executed by the Company and its subsidiary
- 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$962 million (2012: HK$892 million), the guaranteed senior convertible notes (the "Convertible Notes Due 2015") of HK$500 million (2012: HK$454 million) and the guaranteed senior payment-in-kind notes (the "PIK Notes Due 2015") of HK$100 million (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$3,626 million (2012: HK$3,443 million) and total assets of HK$3,655 million (2012: HK$3,472 million) of which HK$2,957 million (2012: HK$2,423 million) was from the discontinued operation of shipbuilding segment
- Total bank loans of HK$706 million (2012: HK$2,625 million) of which HK$700 million (2012: HK$2,440 million) was from the discontinued operation in respect of shipbuilding segment
- The Senior Notes Due 2012 of HK$962 million (2012: HK$892 million)
- The Convertible Notes Due 2015 of HK$500 million (2012: HK$454 million)
- The PIK Notes Due 2015 of HK$100 million (2012: HK$92 million)
- Convertible preferred shares issued by the Company (the "Titan preferred shares") with a liability portion of HK$406 million (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$227 million (2012: HK$46 million)
- Loans from the ultimate holding company of HK$1,924 million (2012: HK$Nil) of which HK$1,829 million (2012: HK$Nil) was from the discontinued operation of shipbuilding segment
- Loan from the immediate holding company of HK$3 million (2012: HK$10 million)

e) The Group's current ratio was 0.32 (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, loans from the ultimate holding company and loan from the immediate holding company to total assets, increased to 1.21 (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 31 December 2013, the Group had 188 employees (2012: 510), of which 163 employees (2012: 399) worked in Mainland China, and 23 employees and 2 employees (2012: 22 and 89) were based in Hong Kong and Singapore, respectively. Included in those working in Mainland China, 158 employees (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 year.

LITIGATION

a) Bermuda Proceedings

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

SPHL filed a petition for the winding-up of the Company on 9 July 2012 (Bermuda time) (the "SPHL Petition") and made an application seeking the appointment of joint provisional liquidators on 27 August 2012 (Bermuda time) with the 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the 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.

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.

* *For identification only*

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 Limited and Wahen Investments Limited on substantially the same terms as the Open Offer (which are also subject to finalisation);

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

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

SUSPENSION OF TRADING AND LISTING STATUS

Trading in the ordinary shares of the Company 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 (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.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2013, except for 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 be 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 be 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 annual internal control review had been conducted in 2013.

According to code provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

The Chairman of the Board, Mr. Zhao Xu Guang, was unable to attend the annual general meeting of the Company held on 30 September 2013 (the "2013 AGM") due to an overseas commitment. Save for Mr. Zhao, all the executive directors, together with the chairmen of the Audit, Remuneration and Nomination Committees attended the 2013 AGM. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the 2013 AGM were already of sufficient calibre and number for answering questions at the 2013 AGM.

THE BOARD

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

As at 31 December 2013, the Board was comprised of nine directors, including four executive directors, two non-executive directors and three independent non-executive directors. Biographical details of the directors and their respective roles in the Group are set out in the Directors' Biographies section of this Annual Report. There is no relationship among the members of the Board.

CORPORATE GOVERNANCE REPORT

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

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

Non-executive directors
Mr. Fan Qinghua (appointed on 26 March 2013)
Mr. Hu Zhong Shan
Mr. Tsoi Tin Chun (resigned on 5 February 2013)

Independent non-executive directors
Mr. Foo Meng Kee (appointed on 27 December 2013)
Mr. Lau Fai Lawrence (appointed on 13 March 2014)
Mr. Cheung Hok Fung Alexander (appointed on 24 March 2014)
Mr. Shane Frederick Weir (retired on 30 September 2013)
Mr. John William Crawford (retired on 27 February 2014)
Mr. Abraham Shek Lai Him (retired on 27 February 2014)

In determining the independence of directors, the Board follows the independence guidelines set out in the Listing Rules. The Board has received from each independent non-executive director a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. During the financial year ended 31 December 2013, Mr. John William Crawford, the then chairman of the audit committee, has the appropriate accounting and financial management expertise required under Rule 3.10(2) of the Listing Rules. As announced by the Company on 13 March 2014 and 24 March 2014 respectively, subsequent to the retirement of Mr. John William Crawford and Mr. Abraham Shek Lai Him as independent non-executive directors of the Company on 27 February 2014, the appointments of Mr. Lau Fai Lawrence and of Mr. Cheung Hok Fung Alexander as independent non-executive directors, to fill the vacancies caused by Mr. Crawford and Mr. Shek, has complied with the requirements set out in rules 3.10, 3.10A and 3.21 of the Listing Rules.

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

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

CHAIRMAN AND THE CHIEF EXECUTIVE

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

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

During the year, Mr. Zhao Xu Guang, the Chairman of the Board, had been appointed as acting Chief Executive with effect from 23 August 2012 following the departure of Chief Executive on the same day. Subsequently 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 be the Chief Executive. With this appointment, the segregation of the roles of the Chairman and Chief Executive came into effect.

BOARD DIVERSITY

In compliance with the requirement set out in code provision A.5.6 of the CG Code, the Company adopted a board diversity policy (the "Board Diversity Policy") on 14 February 2014 which sets out its approach to achieve diversity on the Board with a view to achieving a sustainable and balanced development of the Company.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to the skills, background, experience, knowledge, expertise, culture, independence, race, gender, and other qualities of directors.

ROLE AND FUNCTION OF THE BOARD AND THE MANAGEMENT

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the management within the control and authority set by the Board. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee. Further details of these committees are set out in this report.

BOARD MEETINGS

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

The personnel of Company Secretarial Department is responsible for taking minutes of Board meetings and Board committee meetings, draft and final versions of which would be sent to Directors for comments and records respectively, within a reasonable time after each meeting. Minutes are recorded in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views (if any) expressed. Minutes of Board meetings and Board committees meetings are kept by the Company Secretarial Department and are open for inspection by any director/committee member.

If a substantial shareholder or a director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, the matter will be dealt with by a physical Board meeting, rather than a written resolution. Independent Non-executive Directors who, and whose associates, have no material interest in the transaction should be present at that Board meeting.

Except for those circumstances permitted by the Bye-laws and all applicable laws, rules and regulations, a director shall not vote on any Board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting.

ATTENDANCES OF MEETINGS

During the year 2013, 8 full Board meetings, 2 audit committee meetings, 1 remuneration committee meeting, 1 nomination committee meeting and 3 general meetings were held at which the individual attendance records of the directors were as follows:

	Meetings attended/Eligible to attend				
Name of Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	General Meetings
Executive directors					
Mr. Zhao Xu Guang *(Chairman)*	7/8	n/a	n/a	n/a	2/3
Mr. Tang Chao Zhang (Note 1)	6/6	n/a	n/a	n/a	2/2
Mr. Patrick Wong Siu Hung (Note 2)	8/8	n/a	n/a	1/1	3/3
Mr. Fu Yong Yuan	7/8	n/a	n/a	n/a	3/3
Non-executive directors					
Mr. Fan Qinghua (Note 3)	4/6	n/a	n/a	n/a	0/2
Mr. Hu Zhong Shan (Note 4)	2/8	n/a	n/a	n/a	1/3
Mr. Tsoi Tin Chun (Note 5)	n/a	n/a	0/1	n/a	n/a
Independent non-executive directors					
Mr. John William Crawford (Note 6)	8/8	2/2	n/a	n/a	3/3
Mr. Abraham Shek Lai Him (Note 6)	8/8	2/2	1/1	1/1	3/3
Mr. Shane Frederick Weir (Note 7)	6/6	1/2	1/1	1/1	2/2
Mr. Foo Meng Kee (Note 8)	n/a	n/a	n/a	n/a	n/a

Note 1 Mr. Tang Chao Zhang was appointed as an executive director and chief executive on 26 March 2013.

Note 2 Mr. Patrick Wong Siu Hung, an executive director, resigned as a member of the nomination committee of the Company on 24 March 2014.

Note 3 Mr. Fan Qinghua was appointed as a non-executive director on 26 March 2013.

Note 4 Mr. Hu Zhong Shan, a non-executive director, was appointed as a member of the remuneration committee of the Company on 5 February 2013.

Note 5 Mr. Tsoi Tin Chun resigned as a non-executive director on 5 February 2013.

Note 6 Mr. John William Crawford and Mr. Abraham Shek Lai Him retired as independent non-executive directors on 27 February 2014.

Note 7 Mr. Shane Frederick Weir retired as an independent non-executive director on 30 September 2013.

Note 8 Mr. Foo Meng Kee was appointed as an independent non-executive director on 27 December 2013.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

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

Name of Directors	Giving talks or attending seminars/ conferences/forums	Reading newspapers, journals and updates relating to the economy, general business, accounting, laws, rules and regulations, etc.
Executive Directors		
Mr. Zhao Xu Guang *(Chairman)*	✓	✓
Mr. Tang Chao Zhang *(Chief Executive)*	✓	✓
Mr. Patrick Wong Siu Hung	✓	✓
Mr. Fu Yong Yuan	✓	✓
Non-executive directors		
Mr. Fan Qinghua	✓	✓
Mr. Hu Zhong Shan	✓	✓
Mr. Tsoi Tin Chun (resigned on 5 February 2013)	✘	✘
Independent non-executive directors		
Mr. John William Crawford	✓	✓
Mr. Abraham Shek Lai Him	✓	✓
Mr. Shane Frederick Weir	✓	✓
Mr. Foo Meng Kee (appointed on 27 December 2013)	✓	✓

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

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

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

iii) review and monitor the Company's policies and practice on compliance with all legal and regulatory requirements;

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

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

The Board has adopted the Corporate Governance Handbook which comprised of, inter alia, continuous disclosure policy, securities dealings policy, whistle-blowing policy, shareholders communication policy as well as terms of references of the board committees and charter of internal audit.

NOMINATION COMMITTEE

A Nomination Committee was established on 28 March 2012 to take up the functions of assessing the adequacy of the Board composition and the nomination of directors from 2012 onwards.

During the year ended 31 December 2013, the Nomination Committee comprised of an executive director and two independent non-executive directors, namely Mr. Patrick Wong Siu Hung, Mr. Abraham Shek Lai Him (Chairman of the Committee) and Mr. Foo Meng Kee (appointed on 27 December 2013). Mr. Shane Frederick Weir was a member of the Nomination Committee during the period from 1 January 2013 to 30 September 2013.

The Nomination Committee at the date of this report was comprised of an executive director and two independent non-executive directors, namely Mr. Zhao Xu Guang (chairman of the committee, appointed on 24 March 2014), Mr. Foo Meng Kee and Mr. Cheung Hok Fung Alexander (appointed on 24 March 2014). Mr. Abraham Shek Lai Him ceased to act as a member of the Nomination Committee upon expiry of his contract on 27 February 2014 and Mr. Patrick Wong Siu Hung ceased to act as a member of the Nomination Committee with effect from 24 March 2014.

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

- Review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- Identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- Assess the independence of independent non-executive directors and review the independent non-executive directors' annual confirmation on their independence;

- Make recommendations to the Board on the appointment and re-appointment of directors and the succession planning for directors and, in particular, the chairman and the chief executive;

- Review the contribution required from a director to perform his/her responsibilities, and whether he/she is spending sufficient time performing them; and

- Review the training and continuous professional development of directors.

During the year ended 31 December 2013, a Nomination Committee meeting was held to (i) discuss and consider the re-appointment of the retiring director at the forthcoming annual general meeting; and (ii) review the terms of reference of the Nomination Committee. The individual attendance for the Nomination Committee meeting had been disclosed earlier in this report.

Besides, two resolutions were passed by the Nomination Committee during the year to make recommendations to the Board for approval for the change of Board members under the review of the Board's size and composition.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

During the year ended 31 December 2013, the Audit Committee comprised of three independent non-executive directors, namely Mr. John William Crawford (Chairman of the Committee), Mr. Abraham Shek Lai Him and Mr. Foo Meng Kee (appointed on 27 December 2013). Mr. Shane Frederick Weir was a member of the Audit Committee during the period from 1 January 2013 to 30 September 2013.

The Audit Committee at the date of this report was comprised of three independent non-executive directors, namely Mr. Lau Fai Lawrence (Chairman of the Committee, appointed on 13 March 2014), Mr. Foo Meng Kee and Mr. Cheung Hok Fung Alexander (appointed on 24 March 2014). Mr. John William Crawford and Mr. Abraham Shek Lai Him ceased to act as the members of the Audit Committee upon expiry of their contracts both on 27 February 2014.

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

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

During the year ended 31 December 2013, two Audit Committee meetings were held and the individual attendance had been disclosed earlier in this report. The Audit Committee met with the external auditors/management to discuss, among others, the Stock Exchange enquiries, the extent of work, timetable and cost of auditors and the outstanding litigations; and also to review up-to-date status on the bookkeeping records, the adequacy and quality of accounting and financial reporting staff and the status of and future needs/plans for the Internal Audit Department; as well as to consider the appointment of new auditors to fill the vacancy created by Ernst & Young.

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

DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

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

The statement of the auditors with respect to their reporting responsibilities on the financial statements of the Group is set out in the independent auditors' report on pages 38 to 46 of this Annual Report.

EXTERNAL AUDITORS

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

During the year ended 31 December 2013, the audit fees paid/payable to HLB amounted to HK$2,400,000.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

As more fully described in the Internal Control Environment section, the Audit Committee assisted the Board in meeting its responsibilities for ensuring and overseeing effective systems of internal control.

INTERNAL CONTROL ENVIRONMENT

System and Procedures

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

- Achieve the Group's business objectives of attaining optimal performance and safeguarding assets against unauthorised use or disposition;

- Ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use and for publication; and

- Ensure compliance with the relevant legislation and regulations.

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

ANNUAL ASSESSMENT

As the Group's internal auditor left on 24 December 2012, no annual 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. Besides, an internal auditor will be filled up by the Company soonest possible so as to further strengthen the internal control systems of the Group.

REMUNERATION COMMITTEE

During the year ended 31 December 2013, the Remuneration Committee comprised of three independent non-executive directors, namely Mr. Foo Meng Kee (Chairman of the Committee, appointed on 27 December 2013), Mr. Abraham Shek Lai Him and Hu Zhong Shan. Mr. Shane Frederick Weir was the chairman of the Remuneration Committee during the period from 1 January 2013 to 30 September 2013.

The Remuneration Committee at the date of this report was comprised of three independent non-executive directors, namely Mr. Foo Meng Kee (Chairman of the Committee), Mr. Hu Zhong Shan and Mr. Lau Fai Lawrence (appointed on 13 March 2014). Mr. Abraham Shek Lai Him ceased to act as a member of the Remuneration Committee upon expiry of his contract on 27 February 2014.

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

- making recommendations to the Board on the Company's policy and structure for all remuneration (including performance related pay schemes and long-term incentive arrangements) of directors and senior management and on the establishment of a formal and transparent procedure for developing policy;

- making recommendations to the Board on the remuneration packages of individual directors (including executive directors, non-executive directors and independent non-executive directors) and senior management (including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment). The Remuneration Committee shall consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

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

- reviewing and approving the compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

- reviewing and approving compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

- ensuring no director or any of his associates is involved in deciding his own remuneration.

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

During the year ended 31 December 2013, a Remuneration Committee meeting was held and the individual attendance had been disclosed earlier in this report. The Remuneration Committee met with the Head of Human Resources to discuss and review, among others, the Group's overall compensation philosophy, the market statistics, the remuneration policies and structure and human capital issues, as well as the remuneration packages for the management and the annual fees to non-executive directors for 2013.

Besides, two resolutions were passed by the Remuneration Committee during the year to make recommendations to the Board on the remuneration packages of the newly appointed individual executive and non-executive directors and also fixed the director's fee of an independent non-executive director of the Company.

Details of the emoluments of each director of the Company for the year ended 31 December 2013 are set out on page 96 of this Annual Report.

SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 year, 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 year ended 31 December 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;

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.

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHTS, INVESTOR & SHAREHOLDER RELATIONS

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

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

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

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

During the year, there has no significant change in the Company's Memorandum of Association and Bye-laws.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the significant subsidiaries are set out in note 20 to the consolidated financial statements. Save as disclosed below, there were no significant changes in the nature of the Group's principal activities during the year.

During the year, the Group deconsolidated certain Singapore subsidiaries as set out in note 9 to the financial statements and subsequent to the balance sheet date more Singapore subsidiaries were put into liquidation, as set out in note 49(c) to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 47 to 48.

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

SUMMARY FINANCIAL INFORMATION

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE PREFERRED SHARES

Details of the movements in the Company's share capital, share options and convertible preferred shares during the year are set out in notes 36, 37 and 31 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DEFICITS

Details of movements in the deficits of the Company and the Group during the year are set out in note 38 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company did not have reserves available for distribution as calculated in accordance with the provisions of the laws of Bermuda. Under the laws of Bermuda, the Company's share premium account of approximately HK$2,473,241,000 as at 31 December 2013 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 100% of total sales for the year and sales to the largest customer included therein amounted to 75% while purchases from the Group's five largest suppliers accounted for 89% of the total purchases for the year and purchases from the largest supplier included therein amounted to 70%.

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

DIRECTORS

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

Executive directors
Mr. Zhao Xu Guang
Mr. Tang Chao Zhang (appointed on 26 March 2013)
Mr. Patrick Wong Siu Hung
Mr. Fu Yong Yuan

Non-executive directors
Mr. Fan Qinghua (appointed on 26 March 2013)
Mr. Hu Zhong Shan
Mr. Tsoi Tin Chun (resigned on 5 February 2013)

Independent non-executive directors
Mr. Foo Meng Kee (appointed on 27 December 2013)
Mr. Lau Fai Lawrence (appointed on 13 March 2014)
Mr. Cheung Hok Fung Alexander (appointed on 24 March 2014)
Mr. Shane Frederick Weir (retired on 30 September 2013)
Mr. John William Crawford (retired on 27 February 2014)
Mr. Abraham Shek Lai Him (retired on 27 February 2014)

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such directors to be independent.

BIOGRAPHICAL DETAILS OF THE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 11 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 43 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

CONNECTED TRANSACTION

Continuing Connected Transaction

On 1 September 2010, Sino Venus Pte. Ltd ("Sino Venus", a wholly-owned subsidiary of the Company), entered into 5 charter agreements (the "Charter Agreements") with Oceanic Shipping Pte. Ltd. ("Oceanic Shipping", a company wholly-owned by Mr. Tsoi Tin Chun (the former Chairman and director of the Company), a connected person of the Company under the Listing Rules), under which, Sino Venus chartered 5 vessels for a term of three years commencing from 1 September 2010 to 31 August 2013. The total charter fees payable by Sino Venus were subject to annual caps of US$4,089,440, US$12,268,320, US$12,268,320 and US$8,178,880 for the years 2010, 2011, 2012 and 2013, respectively. Sino Venus received a written notice from Oceanic Shipping to terminate 5 Charter Agreements with effect from 1 June 2012 and details were disclosed in the Company's announcements dated 1 September 2010 and 1 June 2012 and the 2012 annual report respectively. There was no other continuing connected transaction in 2013 subsequent to the termination of these 5 Charter Agreements.

Significant related party transactions entered by the Group during the year ended 31 December 2013 are disclosed in note 43 to the consolidated financial statements.

MANAGEMENT CONTRACTS

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

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

At 31 December 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 were as set out below.

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

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

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

Approximate percentage of shareholding is calculated based on 7,820,554,682 ordinary shares of the Company issued as at 31 December 2013.

Save as disclosed above, at 31 December 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above and in the share option scheme disclosures in note 37 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors to acquire such rights in any other body corporate.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

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

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.

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

At 31 December 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 % 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 Pte Ltd	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
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

Name	Capacity	Number of shares and underlying shares	Approximate % of shareholding (Note 6)
Grand China Logistics Holding (Group) Company Limited	Beneficial owner	500,000,000 (Note 4)	6.39
Haikou Meilan International Airport Co., Ltd.	Interest of controlled corporations	500,000,000 (Note 4)	6.39
Hainan Development Holdings Co., Ltd.	Interest of controlled corporations	500,000,000 (Note 4)	6.39
He Xiaoqun	Interest of controlled corporations	45,967,286,141 (Note 5)	587.77%
Liang Wei	Interest of controlled corporations	45,967,286,141 (Note 5)	587.77%
Xia Yingyan	Interest of controlled corporations	45,967,286,141 (Note 5)	587.77%
Hainan Li Jin Investment Company Limited	Interest of controlled corporations	45,967,286,141 (Note 5)	587.77%
Zhuhai Zhenrong Company	Interest of controlled corporations	45,967,286,141 (Note 5)	587.77%
Guangdong Zhenrong Energy Company, Limited	Interest of controlled corporations/ Beneficial owner	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%

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 31 December 2013.

REPORT OF THE DIRECTORS

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.

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.

Note 6: Based on 7,820,554,682 ordinary shares of the Company issued as at 31 December 2013.

Save as disclosed above, at 31 December 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.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

A detailed Corporate Governance Report is set out on pages 16 to 26 of the Annual Report.

CHARITABLE CONTRIBUTIONS

During the year, no charitable contributions were made.

REPORT OF THE DIRECTORS

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as the Company's code of conduct regarding director securities transactions. Having made specific enquiries of the relevant directors during the year, save as disclosed below, all the relevant directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2013.

On 29 April 2013, the Company entered into the Wahen Subscription Agreement with 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;

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.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period of the Group are set out in note 49 to the consolidated financial statements.

REVIEW OF 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 year 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 consolidated financial statements for the year ended 31 December 2013 and discussed the same with management and the external auditors and, as a result, is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and other reporting requirements, and that adequate disclosures have been made.

AUDITORS

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

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

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.

ON BEHALF OF THE BOARD

Zhao Xu Guang
Chairman

Hong Kong
30 April 2014

INDEPENDENT AUDITORS' REPORT

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

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

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

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We were engaged to audit the consolidated financial statements of Titan Petrochemicals Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 153, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

BASIS FOR DISCLAIMER OF OPINION

a) Scope limitation – Subsidiaries operated in Singapore

Included in the consolidated financial statements of the Group is financial information in respect of subsidiaries which operated in Singapore (the "Singapore Subsidiaries"). As disclosed in note 2.1 to the consolidated financial statements, partial books and records of the Singapore Subsidiaries were unable to be located as a consequence of the re-location of their office and servers, the resignations of key management, operation and accounting personnel and records have been under the control of liquidators. Consequently, we were unable to obtain sufficient appropriate audit evidence in respect of the financial information of the Singapore Subsidiaries as set out below which has been included in the consolidated financial statements of the Group for the year ended 31 December 2013:

	HK$'000
Included in the consolidated statement of profit or loss:	
Revenue	14,348
Other revenue	1,969
Impairment of accounts receivable	887
Included in the consolidated statement of financial position:	
Accounts payable	20,609
Other payables and accruals	45,609
Included in the gain on deconsolidation of subsidiaries:	
Amounts due from fellow subsidiaries	4,359,097
Amounts due from deconsolidated fellow subsidiaries	2,881,216
Amount due to the intermediate holding company	113,064
Amounts due to fellow subsidiaries	5,300,502
Amounts due to deconsolidated fellow subsidiaries	2,896,711
Cash and cash equivalents	630
Accounts payable	132,997
Other payables and accruals	33,291

We were unable to obtain sufficient appropriate audit evidence regarding the above because (i) there was inadequate documentary evidence available for us to verify the identity and nature of the above transactions and balances; (ii) we were unable to carry out any effective confirmation procedures for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to carry out any substantive procedures in relation to the above transactions and balances; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above transactions and balances were free from material misstatement. Consequently, we were unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence of any other significant transactions, inter-group transactions, contingent liabilities, commitments, related party transactions and subsequent events relating to the Singapore Subsidiaries and the Group. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's net liabilities as at 31 December 2013, the gain on deconsolidation of subsidiaries and the loss and cash flows of the Group for the year ended 31 December 2013 and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant non-adjusting subsequent events relating to the Singapore Subsidiaries.

BASIS FOR DISCLAIMER OF OPINION (Continued)

b) Scope limitation – Other payables and accruals

Included in the other payables and accruals in the consolidated statement of financial position of the Group as at 31 December 2013 were other payables of approximately HK$1,094,000 (the "Other Payables"). We were unable to obtain sufficient appropriate audit evidence regarding the Other Payables because (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Other Payables; (ii) we were unable to carry out any effective confirmation procedures in relation to the Other Payables for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Other Payables were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balances of the Group's other payables, the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

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

1) *Scope limitation – Reversal of impairment of property, plant and equipment and prepaid land/seabed lease payments of a disposal group classified as held for sale*

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position as at 31 December 2013 was the property, plant and equipment and prepaid land/seabed lease payments of a disposal group classified as held for sale (the "Property, Plant and Equipment and Prepaid Lease Payments") with net carrying amounts of approximately HK$2,545,476,000 and HK$313,822,000 respectively and related deferred tax liabilities of approximately HK$60,432,000. The directors are of the opinion that the carrying amounts of the Property, Plant and Equipment and Prepaid Lease Payments in the consolidated statement of financial position were lower than their fair values less cost to sell amounts and therefore, reversal of impairment losses on the Property, Plant and Equipment and Prepaid Lease Payments of approximately HK$499,508,000 was made during the year ended 31 December 2013. Fair values less costs to sell were determined by the cost approach and the sales comparison approach and were used to determine the amounts of the Property, Plant and Equipment and Prepaid Lease Payments with reference to valuation reports. However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the reasonableness of the bases and assumptions used in arriving at the amounts of the Property, Plant and Equipment and Prepaid Lease Payments as at the end of the reporting period and therefore, as to whether the carrying amounts and the reversal of impairment losses on the Property, Plant and Equipment and Prepaid Lease Payments for the year ended 31 December 2013 are fairly stated. Any adjustment to the carrying amounts and reversal of impairment losses on the Property, Plant and Equipment and Prepaid Lease Payments for the year ended 31 December 2013 would have a consequential impact on the loss from discontinued operations for the year ended 31 December 2013, the balances of the Group's assets and liabilities of a disposed group classified as held for sale, the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION (Continued)

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

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

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2013 were prepayments, deposits and other receivables in respect of Titan Quanzhou Shipyard Company Limited ("QZ Shipyard"), which is the disposal group classified as held for sale, of approximately HK$52,590,000 and included in the consolidated statement of profit or loss for the year ended 31 December 2012 was impairment of the prepayments, deposits and other receivables of QZ Shipyard of approximately HK$107,013,000 (the "Prepayments, Deposits and Other Receivables of the QZ Shipyard"). We were unable to obtain sufficient appropriate audit evidence regarding the Prepayments, Deposits and Other Receivables of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Prepayments, Deposits and Other Receivables of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to the Prepayments, Deposits and Other Receivables of the QZ Shipyard for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the Prepayments, Deposits and Other Receivables of the QZ Shipyard were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Prepayments, Deposits and Other Receivables of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets of a disposal group classified as held for sale, the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

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

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2013 were accounts and bills payables of the QZ Shipyard of approximately HK$93,624,000 owed to suppliers of the QZ Shipyard (the "Accounts and Bills Payables of the QZ Shipyard"). We were unable to obtain sufficient appropriate audit evidence regarding the Accounts and Bills Payables of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Accounts and Bills Payable of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to Accounts and Bills Payables of the QZ Shipyard for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Accounts and Bills Payables of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balance of the Group's liabilities directly associated with the assets classified as held for sale, the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION (Continued)

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

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

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2013 were other payables and accruals of the QZ Shipyard of approximately HK$572,608,000 (the "Other Payables and Accruals of the QZ Shipyard"). We were unable to obtain sufficient appropriate audit evidence regarding the Other Payables and Accruals of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Other Payables and Accruals of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to the Other Payables and Accruals of the QZ Shipyard for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Other Payables and Accruals of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balance of the Group's liabilities directly associated with the assets classified as held for sale, the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

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

Included in the balances of other payables and accruals in the consolidated statement of financial position as at 31 December 2013 was amount due to a deconsolidated jointly-controlled entity of approximately HK$175,298,000 (the "Amounts with the Deconsolidated Jointly-Controlled Entity"). As disclosed in note 10 to the consolidated financial statements, included in the net assets of the jointly-controlled entity deconsolidated during the year ended 31 December 2012 were amounts due from holding companies of approximately HK$171,454,000, amounts due to holding companies of approximately HK$164,249,000 and impairment on amount due from the deconsolidated jointly-controlled entity of approximately HK$161,412,000 (the "Amounts with Holding Companies"). We were unable to obtain sufficient appropriate audit evidence regarding the Amounts with the Deconsolidated Jointly-Controlled Entity and the Amounts with Holding Companies because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Amounts with the Deconsolidated Jointly-Controlled Entity and the Amounts with Holding Companies; (ii) we were unable to carry out any effective confirmation procedures in relation to the Amounts with the Deconsolidated Jointly-Controlled Entity and the Amounts with Holding Companies for the purpose of our audit; and (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the amount due from the deconsolidated jointly-controlled entity were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Amounts with the Deconsolidated Jointly-Controlled Entity and the Amounts with Holding Companies were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balances of the Group's other payables and accruals as at 31 December 2013, the loss from discontinued operations of the Group for the year ended 31 December 2012, the Group's net liabilities at as 31 December 2013, and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION (Continued)

e) Scope limitation – Amounts due from/to deconsolidated subsidiaries

Included in the balances of other payables and accruals in the consolidated statement of financial position as at 31 December 2013 was amounts due to deconsolidated subsidiaries of approximately HK$4,222,659,000 (the "Amounts due to Deconsolidated Subsidiaries"). Included in the consolidated statement of profit or loss for the year ended 31 December 2013 was impairment of amounts due from deconsolidated subsidiaries of approximately HK$5,384,435,000 (the "Impairment of Amounts due from Deconsolidated Subsidiaries"). We were unable to obtain sufficient appropriate audit evidence regarding the Amounts due to Deconsolidated Subsidiaries because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Amounts due to Deconsolidated Subsidiaries and the Impairment of Amounts due from Deconsolidated Subsidiaries; (ii) we were unable to carry out any effective confirmation procedures in relation to the Amounts due to Deconsolidated Subsidiaries and the Impairment of Amounts due from Deconsolidated Subsidiaries for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the amounts due from the deconsolidated subsidiaries were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Amounts due to Deconsolidated Subsidiaries and the Impairment of Amounts due from Deconsolidated Subsidiaries were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balances of the Group's other payables and accruals as at 31 December 2013, the Group's net liabilities as at 31 December 2013, and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

f) Scope limitation – Financial guarantee contracts and commitments

As disclosed in note 41 and 40 to the consolidated financial statements were financial guarantee contracts issued and commitments committed by the Group. We are unable to obtain sufficient appropriate audit evidence regarding the financial guarantee contracts and commitments committed by the Group because (i) we were unable to verify whether all financial guarantee contracts and commitments committed by the Group were included in the consolidated financial statements of the Group and the financial statements of the Company as at 31 December 2012 and 2013; (ii) we were unable to satisfy ourselves the measurements of the financial guarantee contracts and commitments for the years ended 31 December 2012 and 2013 were appropriate; (iii) we were unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence of any other significant financial guarantee contracts and commitments committed by the Company and the Group; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above transactions were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's and the Company's net liabilities at 31 December 2012 and 2013 respectively, the Company's interests in subsidiaries and consequently net loss and cash flows of the Group and the Company for the years ended 31 December 2012 and 2013, and the related disclosures thereof in the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

BASIS FOR DISCLAIMER OF OPINION (Continued)

g) Scope limitation – Events after the reporting period

In light of the matters above, we were unable to obtain sufficient appropriate audit evidence regarding the events after the reporting period because there was inadequate documentary evidence available for us to verify the occurrence, accuracy and completeness of the significant transactions or events which may have occurred between the period from 1 January 2014 to the date of this auditors' report as required under the Hong Kong Standard on Auditing 560 "Subsequent Events" issued by the HKICPA. There were no practical alternative procedures that we could perform over the significant transactions which occurred during the period from 1 January 2014 to the date of this auditors' report.

Any adjustments that might have been found necessary may have an effect on the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

h) Scope limitation – Related party transactions

In light of the matters above, we were unable to obtain sufficient appropriate audit evidence regarding the related party transactions disclosures because there was inadequate documentary evidence available for us to verify the occurrence, accuracy and completeness of the related party transactions which may have occurred during the year ended 31 December 2013 as required under the Hong Kong Standard on Auditing 550 "Related Parties" issued by the HKICPA. There were no practical alternative procedures that we could perform over the related party transactions which occurred during the year ended 31 December 2013.

Any adjustments that might have been found necessary may have an effect on the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

i) Scope limitation – Opening balances and corresponding figures

In light of the matters above, there was inadequate documentary evidence available for us to verify the opening balances and corresponding figures for the year ended 31 December 2012. In addition, the auditors' report dated 14 February 2014 in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2012 was disclaimed in view as a result of scope limitation based on reasons summarised in the basis for disclaimer of opinion paragraphs therein.

As a result of the above, we were unable to obtain sufficient appropriate audit evidence regarding the opening balances and corresponding figures and there were no alternative audit procedures to satisfy ourselves as to whether the opening balances and corresponding figures were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets and liabilities as at 31 December 2012 and 2013 and its results for the years ended 31 December 2012 and 2013, and the presentation and disclosure thereof in the consolidated financial statements.

Any adjustments or additional disclosures found to be necessary in respect of the above matters, including any related tax impact, will have a consequential significant effect on the financial position of the Company and the Group as at 31 December 2013 and 2012 and the financial performance and cash flows of the Group for the years then ended, and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant subsequent events related to the Company and the Group.

BASIS FOR DISCLAIMER OF OPINION (Continued)

j) Material uncertainties relating to the going concern basis

As disclosed in note 2.1 to the consolidated financial statements, the Group incurred a loss attributable to the owners of the Company of approximately HK$4,570,232,000 for the year ended 31 December 2013 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$7,750,671,000 and its total liabilities exceeded its total assets by approximately HK$7,724,326,000.

As disclosed in notes 26, 28, 29, 30, 31 and 32 to the consolidated financial statements, the Group was in default on repayments of secured interest-bearing bank loans of approximately HK$654,347,000, fixed rate guaranteed senior notes of approximately HK$962,062,000, guaranteed senior convertible notes of approximately HK$499,693,000, guaranteed senior payment-in-kind notes of approximately HK$100,243,000, convertible preferred shares of approximately HK$406,110,000 and notes payable of approximately HK$227,292,000.

As disclosed in note 42 to the consolidated financial statements, the Group was involved in several legal proceedings. One of the legal proceedings is that KTL Camden Inc. ("KTL") has claimed that a subsidiary of the Company failed to pay certain hiring charges pursuant to a bareboat charter party contract and that the Company was liable to KTL for such hiring charges plus interest thereon in the sum of approximately US$6,853,032 pursuant to a deed of guarantee issued by the Company in favour of KTL. On 23 July 2013, the Supreme Court of Bermuda (the "Bermuda Court") allowed KTL to be substituted as the petitioner in place of Saturn Petrochemical Holdings Limited ("SPHL") and on 6 August 2013, KTL also made an application for the appointment of provisional liquidators in the Company. On 18 October 2013, the Bermuda Court ordered the appointment of the joint provisional liquidators of the Company. On 12 December 2013, the Company made an application to the Bermuda Court for the discharge of the joint provisional liquidators appointed to the Company (the "Discharge Application"). On 13 December 2013, the Bermuda Court ordered that the Camden Petition and the Discharge application be adjourned to 31 January 2014. Further hearings before the Bermuda Court took place on 31 January 2014 (Bermuda time), 14 February 2014 (Bermuda time), 28 February 2014 (Bermuda time), 7 March 2014 (Bermuda time) and 17 April 2014 (Bermuda time) and the Camden Petition and Discharge Application further adjourned to 16 May 2014 (Bermuda time).

These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favourable outcomes of the steps being taken by the directors of the Company as described in note 2.1 to the consolidated financial statements. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation and classification of non-current assets that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets. In the absence of sufficient documentary evidence, we were unable to ascertain whether the assumptions made by the directors of the Company in the preparation of the consolidated financial statements on a going concern basis were fair and reasonable and, accordingly, we were unable to satisfy ourselves that the use of the going concern assumption was appropriate. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the appropriateness of the use of the going concern assumption, which might have a consequential significant effect on the Group's and the Company's net liabilities as at 31 December 2013 and the loss of the Group for the year then ended, and the related disclosures thereof in the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

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

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

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 30 April 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
CONTINUING OPERATIONS			
Revenue	6	**644,325**	1,272,127
Cost of sales		**(673,394)**	(1,395,162)
Gross loss		**(29,069)**	(123,035)
Other revenue		**5,807**	61,310
Change in fair values of derivative financial instruments not qualifying as hedges		**–**	157,763
Gain on deconsolidation of subsidiaries	9	**1,236,193**	–
General and administrative expenses		**(317,279)**	(330,369)
Finance costs	8	**(153,318)**	(247,846)
Impairment losses on amounts due from deconsolidated subsidiaries	9	**(5,384,435)**	–
Loss on derecognition of derivative financial instruments not qualifying as hedges		**(176,049)**	–
Loss before tax from continuing operations	7	**(4,818,150)**	(482,177)
Income tax credit	13	**440**	7,854
Loss for the year from continuing operations		**(4,817,710)**	(474,323)
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	5	**247,478**	(3,502,821)
LOSS FOR THE YEAR		**(4,570,232)**	(3,977,144)
Loss for the year attributable to:			
Owners of the Company		**(4,570,232)**	(3,977,144)
Non-controlling interests		**–**	–
		(4,570,232)	(3,977,144)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	15		
From continuing and discontinued operations			
Basic per share		**(HK58.44 cents)**	(HK50.86 cents)
Diluted per share		**(HK58.44 cents)**	(HK50.86 cents)
From continuing operations			
Basic per share		**(HK61.60 cents)**	(HK6.07 cents)
Diluted per share		**(HK61.60 cents)**	(HK6.07 cents)

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Loss for the year		**(4,570,232)**	(3,977,144)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(13,108)**	(30,473)
Other comprehensive loss for the year, net of tax		**(13,108)**	(30,473)
Total comprehensive loss for the year		**(4,583,340)**	(4,007,617)
Total comprehensive loss attributable to:			
Owners of the Company	38(a)	**(4,583,340)**	(4,007,617)
Non-controlling interests		**–**	–
		(4,583,340)	(4,007,617)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**4,787**	5,023
Prepaid land/seabed lease payments	17	**24,558**	24,361
Licenses	18	**–**	–
Total non-current assets		**29,345**	29,384
CURRENT ASSETS			
Inventories	21	**–**	43,789
Accounts receivable	22	**181**	1,837
Prepayments, deposits and other receivables	23	**161,729**	247,089
Pledged deposits and restricted cash	25	**487,059**	604,489
Cash and cash equivalents	25	**19,664**	122,560
		668,633	1,019,764
Assets of a disposal group classified as held for sale	5	**2,956,904**	2,423,163
Total current assets		**3,625,537**	3,442,927
CURRENT LIABILITIES			
Interest-bearing bank loans	26	**5,850**	184,706
Accounts payable	27	**351,408**	402,475
Other payables and accruals	27	**4,520,305**	1,236,530
Fixed rate guaranteed senior notes	28	**962,062**	891,871
Guaranteed senior convertible notes	29	**499,693**	453,971
Guaranteed senior payment-in-kind notes	30	**100,243**	92,236
Liability portion of convertible preferred shares	31	**406,110**	391,502
Notes payable	32	**227,292**	45,950
Tax payable		**1,059**	1,480
Amounts due to the ultimate holding company	33	**951,730**	–
Amount due to the immediate holding company	33	**27**	–
Loans from the ultimate holding company	33	**95,283**	–
Loan from the immediate holding company	33	**–**	9,700
		8,121,062	3,710,421
Liabilities directly associated with the assets classified as held for sale	5	**3,255,146**	2,900,463
Total current liabilities		**11,376,208**	6,610,884
NET CURRENT LIABILITIES		**(7,750,671)**	(3,167,957)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(7,721,326)**	(3,138,573)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT LIABILITIES			
Loan from the immediate holding company	33	**3,000**	–
Total non-current liabilities		**3,000**	–
Net liabilities		**(7,724,326)**	(3,138,573)
DEFICIENCY IN ASSETS			
Deficiency attributable to owners of the Company			
Share capital	36	**78,206**	78,206
Deficits	38(a)	**(7,802,532)**	(3,216,779)
Deficiency in assets		**(7,724,326)**	(3,138,573)

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 April 2014 and signed on its behalf by:

Patrick Wong Siu Hung
Director

Tang Chao Zhang
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

		Attributable to owners of the Company						
	Notes	Share capital (note 36) HK$'000	Convertible preferred shares (note 31) HK$'000	(Deficits)/ reserves (note 38(a)) HK$'000	Sub-total HK$'000	Equity portion of convertible unsecured notes in a jointly-controlled entity HK$'000	Contingently redeemable equity in a jointly-controlled entity HK$'000	Total (deficiency in assets)/ equity HK$'000
At 1 January 2013		**78,206**	**–**	**(3,216,779)**	**(3,138,573)**	**–**	**–**	**(3,138,573)**
Loss for the year		**–**	**–**	**(4,570,232)**	**(4,570,232)**	**–**	**–**	**(4,570,232)**
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations		**–**	**–**	**(13,108)**	**(13,108)**	**–**	**–**	**(13,108)**
Total comprehensive loss for the year		**–**	**–**	**(4,583,340)**	**(4,583,340)**	**–**	**–**	**(4,583,340)**
Share option expenses		**–**	**–**	**82**	**82**	**–**	**–**	**82**
Released upon deconsolidation of subsidiaries	9(a)	**–**	**–**	**(2,495)**	**(2,495)**	**–**	**–**	**(2,495)**
At 31 December 2013		**78,206**	**–**	**(7,802,532)**	**(7,724,326)**	**–**	**–**	**(7,724,326)**
At 1 January 2012		78,206	75,559	390,728	544,493	85,015	477,083	1,106,591
Loss for the year		–	–	(3,977,144)	(3,977,144)	–	–	(3,977,144)
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations		–	–	(30,473)	(30,473)	–	–	(30,473)
Total comprehensive loss for the year		–	–	(4,007,617)	(4,007,617)	–	–	(4,007,617)
Share option expenses		–	–	1,069	1,069	–	–	1,069
Realised on deemed disposals of partial interest in a jointly-controlled entity		–	–	(4)	(4)	(618)	(3,470)	(4,092)
Transfer of equity portion of convertible preferred shares and convertible unsecured notes upon redemption		–	–	558,010	558,010	(84,397)	(473,613)	–
Released upon deconsolidation of a jointly-controlled entity	10(a)	–	–	(234,524)	(234,524)	–	–	(234,524)
Transfer to accumulated losses upon redemption of Titan preferred shares	31	–	(75,559)	75,559	–	–	–	–
At 31 December 2012		78,206	–	(3,216,779)	(3,138,573)	–	–	(3,138,573)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax from:			
Continuing operations		**(4,818,150)**	(482,177)
Discontinued operations	5	**249,252**	(3,556,131)
Adjustments for:			
Depreciation		**40,146**	144,642
Amortisation of prepaid land/seabed lease payments		**12,618**	49,046
Amortisation of licenses	18	**–**	1,749
Interest income		**(3,063)**	(20,612)
Finance costs	8	**308,585**	423,229
Equity-settled share option expenses	38(a)	**82**	1,069
(Reversal of impairment)/impairment of items of property, plant and equipment	5(c) and 16	**(482,455)**	977,452
(Reversal of impairment)/impairment of prepaid land/seabed lease payments	17	**(16,976)**	165,619
Loss on disposal/write off of items of property, plant and equipment		**158**	354,455
Impairment of accounts receivable	22	**887**	7,166
Gain on deemed disposals of partial interest in a jointly-controlled entity		**–**	(1,788)
Impairment of prepayments, deposits and other receivables		**–**	146,350
Write down of inventories to net realisable value		**429**	15,033
Impairment of licenses	18	**–**	19,384
Impairment of goodwill		**–**	587,186
Gain on deconsolidation of subsidiaries		**(1,236,193)**	–
Impairment losses on amounts due from deconsolidated subsidiaries	9(d)	**5,384,435**	–
Loss on derecognition of derivative financial instruments not qualifying as hedges	32	**176,049**	–
Release of financial guarantee contracts		**(2,361)**	–
Loss on early redemption of convertible bonds and preferred shares		**–**	1,166,922
Gain on deconsolidation of a jointly-controlled entity		**–**	(182,293)
Share of profits of associates, net		**–**	(8,538)
Change in fair value of derivative financial instruments not qualifying as hedges		**–**	(157,763)
		(386,557)	(350,000)
Decrease in bunker oil		**–**	36,846
Decrease in inventories		**44,290**	32,201
Decrease in accounts receivable		**695**	143,857
Decrease in prepayments, deposits and other receivables		**88,623**	78,520
Decrease in contracts in progress		**–**	203,876
Increase/(decrease) in accounts payable		**83,197**	(71,463)
Increase in other payables and accruals		**1,422**	78,297
Increase in amounts due to the ultimate holding company		**55,869**	–
Increase in amount due to the immediate holding company		**27**	–

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash (used in)/ generated from operations		**(112,434)**	152,134
Interest received		**3,063**	20,813
Interest paid		**(44,122)**	(166,807)
Overseas profits tax paid		**(1)**	(11,747)
Net cash flows used in operating activities		**(153,494)**	(5,607)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in pledged and time deposits		**133,322**	509,235
Additions to property, plant and equipment		**(2,350)**	(112,071)
Additions to prepaid land/seabed lease payments	17	**–**	(25,638)
Proceeds of disposal of property, plant and equipment		**663**	–
Deposits paid for construction in progress		**–**	(209)
Interest capitalised	8	**–**	(100,931)
Dividends received from associates		**–**	15,856
Net cash outflow arising on deconsolidation of subsidiaries	9	**(630)**	–
Net cash outflow arising on deconsolidation of a jointly-controlled entity	10	**–**	(35,386)
Net cash flows from investing activities		**131,005**	250,856
CASH FLOWS FROM FINANCING ACTIVITIES			
Inception of new bank loans		**144,175**	481,512
Inception of a loan from the immediate holding company		**3,000**	9,700
Inception of loans from the ultimate holding company		**44,713**	–
Repayments of bank loans		**(263,781)**	(833,910)
Repayments of loan to the immediate holding company		**(9,700)**	–
(Increase)/decrease in restricted cash		**(26)**	38
Net cash flows used in financing activities		**(81,619)**	(342,660)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(104,108)**	(97,411)
Cash and cash equivalents at the beginning of the year		**123,767**	221,408
Effect of foreign exchange rate changes, net		**232**	(230)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**19,891**	123,767

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**19,664**	122,560
Cash and bank balances attributable to discontinued operations	5	**227**	1,207
Cash and cash equivalents as stated in the consolidated statement of cash flows		**19,891**	123,767
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents per consolidated statement of cash flows		**19,891**	123,767
Cash and bank balances attributable to discontinued operations	5	**(227)**	(1,207)
Cash and cash equivalents as stated in the consolidated statement of financial position		**19,664**	122,560

STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries	20	**–**	–
CURRENT ASSETS			
Amounts due from subsidiaries	20	**–**	–
Prepayments, deposits and other receivables		**3,361**	345
Cash and cash equivalents	25	**261**	264
Total current assets		**3,622**	609
CURRENT LIABILITIES			
Amounts due to subsidiaries	20	**9,464**	9,016
Other payables and accruals	27	**1,077,982**	1,051,133
Financial guarantee contracts	24	**346,978**	102,117
Fixed rate guaranteed senior notes	28	**962,062**	891,871
Guaranteed senior convertible notes	29	**499,693**	453,971
Guaranteed senior payment-in-kind notes	30	**100,243**	92,236
Liability portion of convertible preferred shares	31	**406,110**	391,502
Amount due to the immediate holding company		**27**	–
Total current liabilities		**3,402,559**	2,991,846
NET CURRENT LIABILITIES		**(3,398,937)**	(2,991,237)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(3,398,937)**	(2,991,237)
NON-CURRENT LIABILITIES			
Loan from the immediate holding company	33	**3,000**	–
Total non-current liabilities		**3,000**	–
Net liabilities		**(3,401,937)**	(2,991,237)
DEFICIENCY IN ASSETS			
Share capital	36	**78,206**	78,206
Deficits	38(b)	**(3,480,143)**	(3,069,443)
Deficiency in assets		**(3,401,937)**	(2,991,237)

The financial statements were approved and authorised for issue by the board of directors on 30 April 2014 and signed on its behalf by:

Patrick Wong Siu Hung
Director

Tang Chao Zhang
Director

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

1. CORPORATE INFORMATION

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

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

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

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

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

iii) shipbuilding (including ship repairing).

The Group discontinued its shipbuilding and building of ship repair facilities operations in 2010 as detailed in note 5 and deconsolidated Titan Group Investment Limited ("TGIL"), a jointly-controlled entity, and its subsidiaries, associates and a jointly-controlled entity, (collectively, the "TGIL Group") due to the loss of joint control over the TGIL Group upon occurrence of the external restrictions and events during 2012 as detailed in note 2.2.

The immediate holding company and the ultimate holding company are Fame Dragon International Investment Limited ("Fame Dragon" incorporated in Hong Kong) and Guangdong Zhenrong Energy Co., Ltd ("GZE", incorporated in the People's Republic of China (the "Mainland China" or the "PRC")) respectively.

2.1 BASIS OF PREPARATION

These financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). They have been prepared under the historical cost convention, except for financial instruments, which have been measured at fair value. All the assets and liabilities as at 31 December 2013 included in the disposal group classified as held for sale, representing the shipbuilding and building of ship repair facilities operations, were stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 5. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (Continued)

Loss of access to books and records of the Group

The directors of the Company (the "Directors") have used their best endeavors to locate all the financial and business records of the Group. The access to most of the books and records of its subsidiaries which operated in Singapore have not been able to be located as a consequence of the re-location of the operating office and severs, together with the resignations of key management and 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 2014 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 2013.

Going concern basis

During the year ended 31 December 2013, the Group incurred losses of HK$4,570,232,000 and, as of that date, the Group had net current liabilities and net liabilities of HK$7,750,671,000 and HK$7,724,326,000 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 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.

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 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 42(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

2.1 BASIS OF PREPARATION (Continued)

Going concern basis (Continued)

a) *Proceedings (Continued)*

ii) British Virgin Islands ("BVI") proceedings

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

On 17 July 2012 (BVI time), the Eastern Caribbean Supreme Court (the "BVI Court") ordered (the "Order") the liquidation of TGIL. This resulted to a loss of joint control over TGIL and its subsidiaries (collectively, the "TGIL Group"), further details of which are set out in notes 2.2 and 42(c).

b) *Debt restructuring*

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

The Company is in discussions with the Group's creditors and potential creditors as well as GZE, CGL Resources Ltd. ("CGL Resources"), New Berkeley Corporation ("New Berkeley") and Wahen Investments Limited ("Wahen Investments") (together with CGL Resources, New Berkeley and Wahen Investments, collectively, the "CB Subscribers") to devise a debt restructuring proposal, further details of which are set out in notes 49(b) and 49(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 statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

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

2.2 DECONSOLIDATION OF A JOINTLY-CONTROLLED ENTITY

The joint control of the Company over the TGIL Group has been lost upon occurrence of the external restrictions and events during the year ended 2012. Further details of the deconsolidation of a joint-controlled entity are set out in note 10.

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.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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: Transition 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.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
HKFRS 9	Financial Instruments[6]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
6 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 9 Financial Instruments (Continued)

The date when entities would be required to apply HKFRS 9 was previously stated at 1 January 2015. This mandatory effective date has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements, which will now become effective from a later date yet to be announced.

The Directors anticipate that the application of HKFRS 9 may have a significant impact on amounts reported in respect of Group's financial assets. However, it is not practical to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 7 and HKAS 32 – Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods.

However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 36 – Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. However, an entity may not apply those amendments in periods (including comparative periods) in which it does not also apply HKFRS 13.

The Directors anticipate that the application of these amendments to HKAS 36 will have no material impact on the Group's financial performance and positions.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The Investment Entities amendments apply to a particular class of business that qualify as investment entities. The term "investment entity" refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities (Continued)

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

The Directors anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (2011) will have no material impact on the Group's financial performance and positions.

Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

Similar relief will be included in HKFRS 9.

The amendments will be effective for annual periods beginning on or after 1 January 2014 and applied retrospectively. Earlier application is permitted.

The Directors anticipate that the application of these amendments to HKAS 39 will have no material impact on the Group's financial performance and positions.

HK(IFRIC) – Int 21 Levies

HK (IFRIC) – Int 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC) – Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

The Directors anticipate that the application of HK(IFRIC) – Int 21 will have no material impact on the Group's financial performance and positions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a) the contractual arrangement with the other vote holders of the investee;

b) rights arising from other contractual arrangements; and

c) the Group's voting rights and potential voting rights.

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

Business combinations and goodwill

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

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

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

Impairment of non-financial assets

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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

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

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

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

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

Non-current assets and disposal groups held for sale

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

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

Discontinued operations

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

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

Segment reporting

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Licenses

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

Leases

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

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

Financial assets

Initial recognition and measurement

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

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

The Group's financial assets include cash and bank balances, accounts and other receivables, deposits and derivatives financial instruments.

Subsequent measurement

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Subsequent measurement (Continued)

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

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

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

Derecognition of financial assets

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

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

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

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

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

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

Derecognition of financial liabilities

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value of financial instruments

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

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

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

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

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

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

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

- hedge of a net investment in a foreign operation.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments (Continued)

Current versus non-current classification

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

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

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

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

Convertible preferred shares and TGIL Notes Due 2014

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

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

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

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

Convertible Notes Due 2015 and K-Line Notes Due 2013

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bunker oil, ship stores and spare parts

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

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

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

Income tax

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

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

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

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

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

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

Revenue recognition

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

b) revenue from the provision of logistic services:

   i) from voyage chartering, on the percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage;

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

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

c) from shipbuilding, on the percentage of completion basis, which is determined on the completion proportion method of each individual shipbuilding contract;

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

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

Share-based payment transactions

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

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

Other employee benefits

Paid leave carried forward

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

Pension schemes

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

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

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

Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

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

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

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

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

Financial guarantee

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contingent liabilities and contingent assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Depreciation of vessels

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

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

Impairment of assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Income tax

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

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

Estimation uncertainty

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

Impairment of goodwill

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

Impairment of non-financial assets (other than goodwill)

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

Impairment of loans and receivables

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Useful lives and residual values of property, plant and equipment

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

Net realisable value of inventories

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

Fair value of financial instruments

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

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and are principally engaged in (a) provision of logistic services (including offshore storage and transportation); and (b) supply of oil products and provision of bunker refueling services. In 2010, the Group classified its shipbuilding operation as being discontinued for the reason as detailed in note 5(a).

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

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

The accounting policies of the operating segments are the same as the Group's accounting policies as detailed in note 2.5.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 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	–	630,267	644,325	–	–	644,325
Segment results	(197,548)	(4,777)	(9,025)	(211,350)	(94,991)	–	(306,341)
Adjusted for:							
– Interest income	–	–	–	–	2	3,061	3,063
– Other revenue	–	–	–	–	–	667	667
– Other expenses	–	–	–	–	–	(132,919)	(132,919)
	(197,548)	(4,777)	(9,025)	(211,350)	(94,989)	(129,191)	(435,530)
Add: Depreciation and amortisation	–	–	315	315	50,424	2,025	52,764
Operating loss before interest, tax, depreciation and amortisation ("LBITDA")	(197,548)	(4,777)	(8,710)	(211,035)	(44,565)	(127,166)	(382,766)
Impairment losses on amounts due from deconsolidated subsidiaries	–	–	–	–	–	(5,384,435)	(5,384,435)
Reversal of impairment of property, plant and equipment	–	–	–	–	482,532	–	482,532
Reversal of impairment of prepaid land/seabed lease payments	–	–	–	–	16,976	–	16,976
Gain on deconsolidation of subsidiaries	–	–	–	–	–	1,236,193	1,236,193
Loss on derecognition of derivative financial instruments not qualifying as hedges	–	–	–	–	–	(176,049)	(176,049)
(LBITDA)/Earnings before interest, tax, depreciation and amortisation ("EBITDA")	(197,548)	(4,777)	(8,710)	(211,035)	454,943	(4,451,457)	(4,207,549)
Depreciation and amortisation	–	–	(315)	(315)	(50,424)	(2,025)	(52,764)
Finance costs	–	–	–	–	(155,267)	(153,318)	(308,585)
(Loss)/profit before tax	(197,548)	(4,777)	(9,025)	(211,350)	249,252	(4,606,800)	(4,568,898)

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2012

	Provision of logistic services			Continuing operations			Discontinued operations		
	Offshore storage HK$'000	Transportation HK$'000	Supply of oil products and provision of bunker refueling services 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	380,378	193,689	698,060	1,272,127	12,217	77,360	89,577	–	1,361,704
– Intersegment revenue	–	–	108,927	108,927	–	–	–	(108,927)*	–
Total	380,378	193,689	806,987	1,381,054	12,217	77,360	89,577	(108,927)	1,361,704
Segment results	(115,131)	(87,783)	(59,567)	(262,481)	(2,348,227)	(57,460)	(2,405,687)	–	(2,668,168)
Adjusted for:									
– Interest income	–	–	–	–	373	657	1,030	19,582	20,612
– Other revenue	–	–	–	–	–	–	–	1,588	1,588
– Other expenses	–	–	–	–	–	–	–	(150,783)	(150,783)
Share of profits of associates	–	–	–	–	–	8,538	8,538	–	8,538
	(115,131)	(87,783)	(59,567)	(262,481)	(2,347,854)	(48,265)	(2,396,119)	(129,613)	(2,788,213)
Add: Depreciation and amortisation	56,977	9,043	435	66,455	76,891	40,861	117,752	11,230	195,437
Operating LBITDA	(58,154)	(78,740)	(59,132)	(196,026)	(2,270,963)	(7,404)	(2,278,367)	(118,383)	(2,592,776)
Gain on deconsolidation of a jointly-controlled entity	–	–	–	–	–	182,293	182,293	–	182,293
Loss on early redemption									
– TGIL preferred shares	–	–	–	–	–	(1,013,937)	(1,013,937)	–	(1,013,937)
– TGIL Notes Due 2014	–	–	–	–	–	(152,985)	(152,985)	–	(152,985)
Change in fair values of derivative financial instruments not qualifying as hedges	–	–	–	–	–	–	–	157,763	157,763
(LBITDA)/EBITDA	(58,154)	(78,740)	(59,132)	(196,026)	(2,270,963)	(992,033)	(3,262,996)	39,380	(3,419,642)
Depreciation and amortisation	(56,977)	(9,043)	(435)	(66,455)	(76,891)	(40,861)	(117,752)	(11,230)	(195,437)
Finance costs	–	–	–	–	(96,723)	(78,660)	(175,383)	(247,846)	(423,229)
Loss before tax	(115,131)	(87,783)	(59,567)	(262,481)	(2,444,577)	(1,111,554)	(3,556,131)	(219,696)	(4,038,308)

* Intersegment revenue is eliminated on consolidation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 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$'000	Consolidated HK$'000
Other segment information						
Depreciation and amortisation	–	–	315	315	50,424	50,739
Unallocated depreciation and amortisation				2,025		2,025
				2,340		52,764
Capital expenditures*	–	–	13	13	11,756	11,769
Unallocated capital expenditures				2,489		2,489
				2,502		14,258
Impairment of accounts receivable	826	61	–	887	–	887
Impairment/(reversal of impairment) of property, plant and equipment	–	–	18	18	(482,532)	(482,514)
Unallocated impairment of property, plant and equipment				59		59
				77		(482,455)
Reversal of impairment of prepaid land/seabed lease payments	–	–	–	–	(16,976)	(16,976)

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

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2012

	Provision of logistic services		Supply of oil products and provision of bunker refueling services	Continuing operations			Discontinued operations	
	Offshore storage HK$'000	Transportation HK$'000	HK$'000	Total HK$'000	Shipbuilding HK$'000	Onshore storage HK$'000	Total HK$'000	Consolidated HK$'000
Other segment information								
Depreciation and amortisation	56,977	9,043	435	66,455	76,891	40,861	117,752	184,207
Unallocated depreciation and amortisation				11,230			–	11,230
				77,685			117,752	195,437
Capital expenditures*	5,473	–	1	5,474	205,331	57,901	263,232	268,706
Unallocated capital expenditures				230			–	230
				5,704			263,232	268,936
Impairment of accounts receivable	1,301	5,396	469	7,166	–	–	–	7,166
Impairment of prepayments, deposits and other receivables	12,838	3,036	18,983	34,857	107,013	–	107,013	141,870
Unallocated impairment of prepayments, deposits and other receivables				4,480			–	4,480
				39,337			107,013	146,350
Impairment of property, plant and equipment	40,047	–	–	40,047	935,293	–	935,293	975,340
Unallocated impairment of property, plant and equipment				2,112			–	2,112
				42,159			935,293	977,452
Impairment of goodwill	–	–	16,568	16,568	570,618	–	570,618	587,186
Impairment of prepaid land/seabed lease payments	–	–	–	–	165,619	–	165,619	165,619
Impairment of license	19,384	–	–	19,384	–	–	–	19,384

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

	Mainland China		Other Asia Pacific countries		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
a) Revenue						
Revenue from external customers	**146,075**	770,361	**498,250**	591,343	**644,325**	1,361,704
Attributable to discontinued operations						
– shipbuilding	**–**	(12,217)	**–**	–	**–**	(12,217)
– onshore storage	**–**	(77,360)	**–**	–	**–**	(77,360)
Revenue from continuing operations	**146,075**	680,784	**498,250**	591,343	**644,325**	1,272,127
b) Other information						
Segment assets	**3,450,094**	3,095,211	**204,788**	377,100	**3,654,882**	3,472,311
Segment liabilities	**3,566,940**	3,346,494	**7,812,268**	3,264,390	**11,379,208**	6,610,884
Capital expenditures	**11,769**	263,233	**2,489**	229	**14,258**	263,462
Unallocated capital expenditures					**–**	5,474
					14,258	268,936
Impairment of accounts receivable	**–**	469	**887**	6,697	**887**	7,166
Impairment of prepayments, deposits and other receivables	**–**	114,297	**–**	32,053	**–**	146,350
(Reversal of impairment)/impairment of property, plant and equipment	**(482,455)**	935,293	**–**	42,159	**(482,455)**	977,452
Impairment of goodwill	**–**	587,186	**–**	–	**–**	587,186
(Reversal of impairment)/impairment of prepaid land/seabed lease payments	**(16,976)**	165,619	**–**	–	**(16,976)**	165,619
Impairment of license	**–**	–	**–**	19,384	**–**	19,384

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

Information about major customers

Revenues of HK$484,192,000 and HK$89,378,000 (2012: HK$380,056,000 and HK$150,091,000) from two major customers reported under the supply of oil products and provision of bunker refueling services segment exceeded 10% of the Group's total revenue respectively.

5. DISCONTINUED OPERATIONS

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

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

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

On 30 May 2012, Grand China Logistics commenced legal proceedings against the Company, Titan TQSL Holding Company Ltd ("Titan TQSL") and Titan Petrochemicals (Fujian) Ltd ("Titan Fujian") to seek an order for, amongst other things the termination of the sale and purchase agreement and repayment of an aggregate of RMB740,000,000 (equivalent to approximately HK$946,711,000) 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 proceedings. Further details are set out in note 42(e).

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

b) Onshore storage – TGIL Group

As disclosed in note 2.2 of this report, the joint control of the Company over the TGIL Group had been lost during the year ended 31 December 2012. The results, assets and liabilities and cash flows of the TGIL Group were, therefore, deconsolidated from the financial statements of the Group during the year ended 31 December 2012. The results of the TGIL Group for the six months ended 30 June 2012 is included in the consolidated statement of profit or loss as "Loss for the year from discontinued operations" for the year ended 31 December 2012 and details of the carrying amount of the deconsolidated assets and liabilities of the TGIL Group are disclosed in note 10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

5. 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 years are presented below.

	Notes	**2013 HK$'000**	2012 HK$'000
Revenue	6	**–**	89,577
Cost of sales		**–**	(166,766)
Gross loss		**–**	(77,189)
Other revenue		**879**	3,862
General and administrative expenses		**(95,868)**	(552,787)
Reversal of impairment/(impairment) of property, plant and equipment	16	**482,532**	(935,293)
Reversal of impairment/(impairment) of prepaid land/seabed lease payments	17	**16,976**	(165,619)
Impairment of goodwill		**–**	(570,618)
Impairment of prepayments, deposits and other receivables	23	**–**	(107,013)
Finance costs	8	**(155,267)**	(175,383)
Share of profits of associates		**–**	8,538
Loss on early redemption			
– TGIL preferred shares	31	**–**	(1,013,937)
– TGIL Notes Due 2014		**–**	(152,985)
Gain on deconsolidation of a jointly-controlled entity	10(a)	**–**	182,293
Profit/(loss) before tax		**249,252**	(3,556,131)
Income tax (expenses)/credit	13	**(1,774)**	53,310
Profit/(loss) for the year from discontinued operations		**247,478**	(3,502,821)

5. DISCONTINUED OPERATIONS (Continued)

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

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

	Notes	**2013 HK$'000**	2012 HK$'000
Assets			
Property, plant and equipment		**2,545,476**	2,020,624
Prepaid land/seabed lease payments	17	**313,822**	306,019
Inventories	21	**44,789**	43,688
Prepayments, deposits and other receivables		**52,590**	51,625
Cash and cash equivalents		**227**	1,207
Assets of a disposal group classified as held for sale		**2,956,904**	2,423,163
Liabilities			
Interest-bearing bank loans		**699,670**	2,439,924
Accounts payable		**93,624**	88,335
Other payables and accruals		**486,839**	313,546
Amounts due to the ultimate holding company		**85,769**	–
Loans from the ultimate holding company		**1,828,812**	–
Deferred tax liabilities		**60,432**	58,658
Liabilities directly associated with the assets classified as held for sale		**3,255,146**	2,900,463
Net liabilities directly associated with the disposal group		**(298,242)**	(477,300)

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

	2013 HK$'000	2012 HK$'000
Net cash (outflow)/inflow from:		
Operating activities	**(13,866)**	13,196
Investing activities	**–**	(225,506)
Financing activities	**12,886**	90,427
Net cash outflow	**(980)**	(121,883)

Note:

The aggregate amount of other payables and accruals amounted to HK$572,608,000, which comprises of other payables and accruals of HK$486,839,000 and amounts due to the ultimate holding company of HK$85,769,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

6. REVENUE

Revenue, under continuing operations, represents gross income from offshore storage services, gross freight income from the provision of transportation services, the net invoiced value of oil products sold (after allowances for returns and trade discounts) and income from the provision of bunker refueling services, while gross income from shipbuilding and onshore storage services are included under the revenue of discontinued operations as set out in note 5. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

	2013 HK$'000	2012 HK$'000
Provision of offshore storage services	**14,058**	380,378
Provision of transportation services	**–**	193,689
Supply of oil products and provision of bunker refueling services	**630,267**	698,060
Attributable to continuing operations	**644,325**	1,272,127
Attributable to discontinued operations (note 5)	**–**	89,577
	644,325	1,361,704

7. LOSS BEFORE TAX

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

	Notes	Group 2013 HK$'000	2012 HK$'000
Employee benefits expenses (excluding directors' remuneration – note 11):			
Wages and salaries		**31,363**	153,800
Equity-settled share option expenses		**82**	1,069
Pension scheme contributions		**2,205**	4,115
		33,650	158,984
Cost of inventories sold		**621,014**	922,287
Cost of services rendered		**52,380**	639,641
Depreciation*		**40,146**	144,642
Amortisation of prepaid land/seabed lease payments**		**12,618**	49,046
Amortisation of licenses*	18	**–**	1,749
Minimum lease payments under operating leases:			
Vessels		**22,967**	274,602
Leasehold buildings**		**6,600**	10,112
Auditors' remuneration**		**1,723**	3,859
Losses on disposal/write off of items of property, plant and equipment**		**158**	354,455
Write down of inventories to net realisable value**		**429**	15,033
(Reversal of impairment)/impairment of prepaid land/seabed lease payments**	17	**(16,976)**	165,619
(Reversal of impairment)/impairment of items of property, plant and equipment**	16	**(482,455)**	977,452
Impairment of goodwill**	19	**–**	587,186
Impairment of prepayments, deposits and other receivables**		**–**	146,350
Impairment of licenses**	18	**–**	19,384
Foreign exchange differences, net**		**63,737**	50,564
Impairment of accounts receivable**	22	**887**	7,166
Bank interest income		**(3,063)**	(20,612)

* These items are included in "Cost of sales" in the consolidated statement of profit or loss. Depreciation of vessels and vessel equipment of HK$Nil (2012: HK$64,272,000) are included in "Cost of sales".

** Reversal of impairment of prepaid land/seabed lease payments of HK$16,976,000 (2012: impairment of HK$165,619,000), reversal of impairment of property, plant and equipment of HK$482,532,000 (2012: impairment of HK$935,293,000), impairment of goodwill of HK$Nil (2012: HK$570,618,000) and impairment of prepayments, deposits and other receivables of HK$Nil (2012: HK$107,013,000) were included in Profit/(loss) for the year from discontinued operations in the consolidated statements of profit or loss. Except for the above, items that are related to continuing operations and are included in "General and administrative expenses" in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

8. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on:		
Bank loans		
– wholly repayable within five years	**51,463**	129,373
– not wholly repayable within five years	**55,593**	150,243
Loan from the immediate holding company		
– wholly repayable within five years	**12**	30
– not wholly repayable within five years	**27**	–
Loans from the ultimate holding company		
– wholly repayable within five years	**407**	–
– not wholly repayable within five years	**55,462**	–
Senior Notes Due 2012	**70,191**	47,181
Convertible Notes Due 2015	**45,722**	125,756
PIK Notes Due 2015	**8,007**	7,753
K-Line Notes Due 2013	**5,293**	6,249
TGIL Notes Due 2014	**–**	8,693
Dividends on convertible preferred shares:		
Titan preferred shares (note 31)	**14,608**	28,326
TGIL preferred shares (note 31)	**–**	16,655
Other finance costs	**1,800**	3,901
Total interest expenses	**308,585**	524,160
Less: Interest capitalised	**–**	(100,931)
	308,585	423,229
Attributable to continuing operations	**153,318**	247,846
Attributable to discontinued operations (note 5)	**155,267**	175,383
	308,585	423,229

9. DECONSOLIDATION OF SUBSIDIARIES

During the year ended 31 December 2013, seventeen 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).

Sino Mercury Pte. Ltd., Titan Aries Pte. Ltd., Titan Gemini Pte. Ltd., Titan Libra Pte. Ltd., Titan Mercury Shipping Pte. Ltd. and Titan Virgo Pte. Ltd. were put into voluntary liquidation on 19 July 2013. NAS Management Pte Ltd, Titan Chios Pte. Ltd., Titan Neptune Shipping Pte. Ltd., Titan Orient Lines Pte. Ltd., Titan Pisces Pte. Ltd., Titan Solar Pte Ltd, Sino Venus Pte. Ltd. and Far East Bunkering Services Pte Ltd were put into voluntary liquidation on 13 August 2013.

9. 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

	2013 HK$'000
Accounts receivable	77
Prepayments, deposits and other receivables	1,847
Amounts due from fellow subsidiaries	4,359,097
Amounts due from deconsolidated fellow subsidiaries	2,881,216
Cash and cash equivalents	630
Accounts payable	(132,997)
Amount due to the intermediate holding company	(113,064)
Amounts due to fellow subsidiaries	(5,300,502)
Amounts due to deconsolidated fellow subsidiaries	(2,896,711)
Other payables and accruals	(33,291)
Net liabilities of deconsolidated subsidiaries attributable to the Group	**(1,233,698)**
Release of exchange fluctuation reserve	2,495
Net liabilities of deconsolidated subsidiaries attributable to the Group	1,233,698
Gain on deconsolidation of subsidiaries	1,236,193

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 accurals	4,222,659
Liabilities directly associated with the assets classified as held for sale	114,815
	4,337,474

d) Impairment losses:

Impairment losses on amounts due from deconsolidated subsidiaries (Note)	5,384,435

Note:

During the year ended 31 December 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$5,384,435,000 were recognised during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

10. DECONSOLIDATION OF A JOINTLY-CONTROLLED ENTITY

a) Gain on deconsolidation of a jointly-controlled entity

	Notes	2012 HK$'000
Property, plant and equipment	16	2,751,286
Prepaid land lease payments	17	425,068
Goodwill	19	414,955
Interests in associates		313,553
Deposits for construction in progress		4,044
Inventories	21	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	31	(1,426,535)
Liability portion of convertible unsecured notes		(410,484)
Deferred tax liabilities	35	(37,714)
Net assets of TGIL Group attributable to the Group		9,893
Release of exchange fluctuation reserve		234,524
Gain on redemption of convertible unsecured notes of the Group		119,074
Impairment losses on amounts due from a deconsolidated jointly-controlled entity (note)		(161,412)
Net assets of TGIL Group attributable to the Group		(9,893)
Gain on deconsolidation of a jointly-controlled entity	5(c)	182,293

Note:

During the year ended 31 December 2012, impairments have been made for the amounts due from deconsolidated jointly-controlled entity due to the amounts are highly unrecoverable and which are determined by reference to the estimation of future cash flows expected to be generated from the deconsolidated jointly-controlled entity. Accordingly, impairment losses of HK$161,412,000 were recognised during the year ended 31 December 2012 and have been included in gain on deconsolidation of a jointly-controlled entity as set out in note 10(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. DECONSOLIDATION OF A JOINTLY-CONTROLLED ENTITY (Continued)

c) Financial information in respect of the Group's jointly-controlled entities:

	2012 HK$'000
Share of jointly-controlled entities' assets and liabilities:	
Non-current assets	–
Non-current liabilities	–
Current assets	–
Current liabilities	–
Net assets	–
Share of jointly-controlled entities' results:	
Revenue	84,644
Cost of sales	(67,250)
Gross profit	17,394
Other revenue	3,058
General and administrative expenses	(69,351)
Finance costs	(85,582)
Share of profits of associates, net	9,286
Loss on early redemption	
– TGIL preferred shares	(1,108,612)
– TGIL Notes Due 2014	(167,270)
Loss before tax	(1,401,077)
Income tax expense	(230)
Loss after tax	(1,401,307)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

11. DIRECTORS' REMUNERATION

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

	Group 2013 HK$'000	2012 HK$'000
Fees	**1,261**	967
Other emoluments:		
Salaries, allowances and benefits-in-kind	**9,594**	6,178
Equity-settled share option expenses	**–**	–
Pension scheme contributions	**45**	31
	9,639	6,209
	10,900	7,176

During the years ended 31 December 2013 and 2012, no emoluments have been paid by the Group to any of the directors and the Chief Executive (the "CE") as an inducement to join or upon joining the Group as compensation for loss of office.

The emoluments of directors and the CE for the year ended 31 December 2013 are set out below.

	Fees HK$'000	Salaries, allowances and benefits-in-kind HK$'000	Pension scheme contributions HK$'000	Total emoluments HK$'000
Executive directors:				
Mr. Zhao Xu Guang*	–	3,800	15	3,815
Mr. Tang Chao Zhang* (appointed on 26 March 2013)	–	916	–	916
Mr. Patrick Wong Siu Hung	–	3,678	15	3,693
Mr. Fu Yong Yuan	–	1,200	15	1,215
Non-executive directors:				
Mr. Hu Zhong Shan	250	–	–	250
Mr. Fan Qinghua (appointed on 26 March 2013)	191	–	–	191
Mr. Tsoi Tin Chun* (re-designation as a non-executive director on 3 July 2012 and resigned on 5 February 2013)	–	–	–	–
Independent non-executive directors:		–	–	
Mr. John William Crawford	370	–	–	370
Mr. Abraham Shek Lai Him	250	–	–	250
Mr. Foo Meng Kee (appointed on 27 December 2013)	4	–	–	4
Mr. Shane Frederick Weir (appointed on 29 June 2012 and retired on 30 September 2013)	196	–	–	196
Total	1,261	9,594	45	10,900

11. DIRECTORS' REMUNERATION (Continued)

The emoluments of directors and the CE for the year ended 31 December 2012 are set out below.

	Fees HK$'000	Salaries, allowances and benefits-in-kind HK$'000	Pension scheme contributions HK$'000	Total emoluments HK$'000
Executive directors:				
Mr. Zhao Xu Guang* (appointed on 3 July 2012)	–	1,900	8	1,908
Mr. Patrick Wong Siu Hung	–	3,678	15	3,693
Mr. Fu Yong Yuan (appointed on 3 July 2012)	–	600	8	608
Non-executive directors:				
Mr. Hu Zhong Shan (appointed on 29 August 2012)	85	–	–	85
Mr. Tsoi Tin Chun* (re-designation as a non-executive director on 3 July 2012 and resigned on 5 February 2013)	–	–	–	–
Independent non-executive directors:				
Mr. John William Crawford	370	–	–	370
Mr. Abraham Shek Lai Him	250	–	–	250
Ms. Maria Tam Wai Chu (retired on 29 June 2012)	130	–	–	130
Mr. Shane Frederick Weir (appointed on 29 June 2012 and retired on 30 September 2013)	132	–	–	132
	967	6,178	31	7,176
CE				
Mr. Cai Jian Jun Henry* (appointed on 3 January 2012 and left on 23 August 2012)	–	2,013	9	2,022
Total	967	8,191	40	9,198

* Mr. Tsoi Tin Chun ("Mr. Tsoi ") was resigned as CE on 3 January 2012. Mr. Cai Jian Jun Henry was appointed as CE on 3 January 2012 and left the Company on 23 August 2012. Mr. Zhao Xu Guang was appointed as CE on 23 August 2012 and ceased to act as CE on 25 March 2013. Mr. Tang Chao Zhang was appointed as CE on 26 March 2013.

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2012: Nil).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2012: two) directors, details of whose remuneration is disclosed in note 11 above. Details of the remuneration of the remaining one (2012: three) non-directors, highest paid employees who are neither a director or senior management of the Company for the year are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and benefits-in-kind	**1,032**	4,942
Equity-settled share option expenses	**–**	–
Pension scheme contributions	**42**	255
	1,074	5,197

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

	Number of employees	
	2013	2012
	HK$'000	HK$'000
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	1
	1	3

During the years ended 31 December 2013 and 2012, no emoluments have been paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group as compensation for loss of office.

13. INCOME TAX CREDIT

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%

Hong Kong

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the current and prior year.

Singapore

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

13. INCOME TAX CREDIT (Continued)

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.

	2013 **HK$'000**	2012 HK$'000
Hong Kong:		
Current charge for the year	**–**	–
Elsewhere:		
Current charge/(credit) for the year	**121**	(6,386)
(Overprovision)/underprovision in prior years	**(561)**	1,103
	(440)	(5,283)
Deferred taxation (note 35)	**–**	(2,571)
Total tax credit for the year	**(440)**	(7,854)

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

	Group	
	2013 **HK$'000**	2012 HK$'000
Loss before tax	**(4,568,898)**	(4,038,308)
Tax at the statutory tax rates	**(767,863)**	(875,001)
Adjustments in respect of current tax of previous periods	**(561)**	1,103
Release of deferred tax	**–**	(56,093)
Income not subject to tax	**(651,012)**	(359,316)
Expenses not deductible for tax	**1,420,770**	1,228,143
Tax charge/(credit) at the Group's effective rate	**1,334**	(61,164)
Represented by:		
Tax credit attributable to continuing operations	**(440)**	(7,854)
Tax charge/(credit) attributable to discontinued operations (note 5)	**1,774**	(53,310)
	1,334	(61,164)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

14. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2013 includes a loss of HK$410,782,000 (2012: HK$4,079,718,000) which has been dealt with in the financial statements of the Company (note 38(b)).

15. 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:

	2013 **HK$'000**	2012 HK$'000
Loss for the year attributable to owners of the Company	**4,570,232**	3,977,144

	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 years ended 31 December 2013 and 2012 were the same as basic loss per share.

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

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:

	2013 **HK$'000**	2012 HK$'000
Loss for the year from continuing operations	**4,817,710**	474,323

From discontinued operations

Basic and diluted earnings per share for discontinued operations is HK3.16 cents per share (2012: loss of HK44.79 cents per share), based on the profit for the year from discontinued operations attributable to owners of the Company of HK$247,478,000 (2012: loss of HK$3,502,821,000) and the denominators as detailed above for both basic and diluted earnings/(loss) per share.

No adjustment had been made to the basic earnings/(loss) per share for discontinued operations for the years ended 31 December 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 basis earnings/(loss) per share amounts presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

16. PROPERTY, PLANT AND EQUIPMENT

31 December 2013	Leasehold improvements HK$'000	Vessels HK$'000	Furniture, equipment and motor vehicles HK$'000	Total HK$'000
At 31 December 2012 and 1 January 2013:				
Cost	7,366	62,475	91,916	161,757
Accumulated depreciation and impairments	(7,000)	(62,475)	(87,259)	(156,734)
Net carrying amount	366	–	4,657	5,023
At 1 January 2013, net of accumulated depreciation and impairments	366	–	4,657	5,023
Additions	93	–	2,409	2,502
Disposals/written off	–	–	(972)	(972)
Depreciation provided during the year	(212)	–	(1,580)	(1,792)
Impairments	–	–	(77)	(77)
Exchange realignments	–	–	103	103
At 31 December 2013, net of accumulated depreciation and impairments	247	–	4,540	4,787
At 31 December 2013:				
Cost	3,895	–	16,773	20,668
Accumulated depreciation and impairments	(3,648)	–	(12,233)	(15,881)
Net carrying amount	247	–	4,540	4,787

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

31 December 2012	Buildings HK$'000	Machinery HK$'000	Leasehold improvements HK$'000	Vessels HK$'000	Storage facilities HK$'000	Furniture, equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 December 2011 and 1 January 2012:								
Cost	89,011	100,755	7,629	219,249	2,050,284	154,872	766,082	3,387,882
Accumulated depreciation and impairments	(17,075)	(14,871)	(6,376)	(86,033)	(184,608)	(118,299)	–	(427,262)
Net carrying amount	71,936	85,884	1,253	133,216	1,865,676	36,573	766,082	2,960,620
At 1 January 2012, net of accumulated depreciation and impairments	71,936	85,884	1,253	133,216	1,865,676	36,573	766,082	2,960,620
Additions	–	97	7	5,447	466	571	31,379	37,967
Deemed disposals of partial interest in a jointly-controlled entity	(515)	(616)	(2)	–	(14,443)	(116)	(4,765)	(20,457)
Deconsolidation of a jointly-controlled entity (Note 10(a))	(69,160)	(82,697)	(208)	–	(1,946,144)	(14,985)	(638,092)	(2,751,286)
Disposals/written off	–	–	–	(37,808)	(15,236)	(3,765)	–	(56,809)
Depreciation provided during the year	(1,996)	(2,354)	(686)	(61,924)	(32,828)	(13,086)	–	(112,874)
Impairments	–	–	–	(38,931)	–	(3,228)	–	(42,159)
Transfers	–	–	–	–	149,790	2,355	(152,145)	–
Exchange realignments	(265)	(314)	2	–	(7,281)	338	(2,459)	(9,979)
At 31 December 2012, net of accumulated depreciation and impairments	–	–	366	–	–	4,657	–	5,023
At 31 December 2012:								
Cost	–	–	7,366	62,475	–	91,916	–	161,757
Accumulated depreciation and impairments	–	–	(7,000)	(62,475)	–	(87,259)	–	(156,734)
Net carrying amount	–	–	366	–	–	4,657	–	5,023

At 31 December 2013, included in the assets of a disposal group classified as held for sale, the Group's construction in progress, buildings and machinery with net carrying values of HK$836,392,000 (2012: HK$811,295,000), HK$453,316,000 (2012: HK$454,039,000) and HK$147,319,000 (2012: HK$97,526,000), respectively, were pledged to secure certain banking facilities and loans from the ultimate holding company granted to the Group (notes 26 and 33).

At 31 December 2013, included in the assets of a disposal group classified as held for sale was the property, plant and equipment with net carrying amount of approximately HK$2,545,476,000, as the recoverable amount of the property, plant and equipment was calculated to be higher than its carrying amount since the last impairment loss was recognised and accordingly, reversal of impairment of approximately HK$482,532,000 were recognised for the year ended 31 December 2013 and has been included in profit for the year from discontinued operations as set out in note 5.

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

The recoverable amount of the property, plant and equipment classified as held for sale for the year ended 31 December 2013 and 2012 was determined based on a valuation performed by an independent valuer not connected to the Group. The recoverable amount was calculated by either or combination of (i) the cost approach with reference to the cost to reproduce or replace in new condition of the valued assets in accordance with current market prices for similar assets, with allowance for accrued deprecation as evidence by observed condition or obsolescence present; or (ii) the sales comparison approach with reference to the prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the valued assets relative to the market. The fair value less costs to sell being the recoverable amount was within the level 2 of the fair value hierarchy.

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

17. PREPAID LAND/SEABED LEASE PAYMENTS

	Group	
	2013	2012
	HK$'000	HK$'000
Carrying amount at 1 January	**24,361**	435,137
Additions	**–**	25,638
Amortisation provided during the year	**(548)**	(3,923)
Amortisation capitalised in construction in progress	**–**	(3,451)
Deemed disposals of partial interest in a jointly-controlled entity	**–**	(2,953)
Deconsolidation of a jointly-controlled entity (Note 10(a))	**–**	(425,068)
Exchange realignments	**745**	(1,019)
Carrying amount at 31 December	**24,558**	24,361

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

At 31 December 2013, the prepaid land/seabed lease payments under the consolidated statement of financial position and under assets of a disposal group classified as held for sale with an aggregate net carrying value of HK$338,380,000 (2012: HK$330,380,000) were pledged to secure certain banking facilities granted to the Group (note 26).

At 31 December 2013, included in the assets of a disposal group classified as held for sale was the prepaid land/seabed lease payments with net carrying amount of HK$313,822,000, as the recoverable amount of prepaid land/seabed lease payments was calculated to be higher than its carrying amount since the last impairment loss was recognised and accordingly, reversal of impairment of HK$16,976,000 were recognised for the year ended 31 December 2013 and has been included in profit for the year from discontinued operations as set out in note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

17. PREPAID LAND/SEABED LEASE PAYMENTS (Continued)

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

The recoverable amount of the prepaid land/seabed lease payments classified as held for sale for the year ended 31 December 2013 and 2012 was determined based on a valuation performed by an independent valuer not connected to the Group. The recoverable amount was calculated by direct comparison method. The fair value less cost to distribute being the recoverable amount was within the level 2 of the fair value hierarchy.

The recoverable amount of the prepaid land/seabed lease payments under continuing operation for the year ended 31 December 2013 and 2012 was determined based on a valuation performed by an independent valuer not connected to the Group. The recoverable amount was calculated by direct comparison method with reference to comparable sales transactions as available in the relevant market and also considered the basis of capitalisation of the net income receivable, if necessary.

18. LICENSES

	Notes	**Group** HK$'000
31 December 2013		
At 1 January 2013 and 31 December 2013, net of accumulated amortisation and impairments		**–**
At 31 December 2013:		
Cost		**36,584**
Accumulated amortisation and impairments		**(36,584)**
Net carrying amount		**–**
31 December 2012		
At 1 January 2012, net of accumulated amortisation and impairments		21,133
Amortisation provided during the year	7	(1,749)
Impairments provided for the year	7	(19,384)
At 31 December 2012		–
At 31 December 2012:		
Cost		51,935
Accumulated amortisation and impairments		(51,935)
Net carrying amount		–

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

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

18. LICENSES (Continued)

The recoverable amount of licenses for the year ended 31 December 2012 was determined based on value in use calculation. The impairment review of licenses is based on the expected future cash flow approved by management, discount rate of 13.91% was applied on the value in use calculations and the licenses were fully impaired during the year ended 31 December 2012.

19. GOODWILL

	Group HK$'000
31 December 2013	
At 1 January 2013 and 31 December 2013, net of accumulated impairments	**–**
At 31 December 2013:	
Cost	**16,568**
Accumulated impairments	**(16,568)**
Net carrying amount	**–**
31 December 2012	
At 1 January 2012, net of accumulated impairments	434,571
Deemed disposals of partial interests in a jointly-controlled entity	(3,048)
Deconsolidation of a jointly-controlled entity (note 10(a))	(414,955)
Impairments provided for the year	(16,568)
At 31 December 2012	–
At 31 December 2012:	
Cost	35,526
Accumulated impairments	(35,526)
Net carrying amount	–

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

	Oil supply		Onshore storage		Shipbuilding and ship repair		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Carrying amount	**–**	–	**–**	–	**–**	–	**–**	–

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

19. GOODWILL (Continued)

Impairment testing of goodwill

Onshore storage cash-generating unit

As disclosed in note 2.2 to the consolidated financial statements, the Directors consider that joint control of the Company over TGIL Group was lost during 2012. The goodwill generated from onshore storage was deconsolidated in the Group during the year ended 31 December 2012.

Oil supply cash-generating unit

The recoverable amount of the oil supply cash-generating unit has been determined based on a value in use method which uses cash flow projections covering five-year periods. The discount rate applied to cash flow projections was 14.5% in 2012. Due to the deteriorating performance of oil supply business, it is considered that the cash flow generated from this cash-generating unit is minimal and cannot cover the carrying amount of goodwill, and therefore, full impairment had been provided during the year ended 31 December 2012.

Shipbuilding and ship repair cash-generating unit

Discontinuing of the shipbuilding business as set out in note 5(a) resulted in a transfer of the goodwill in relation to the shipbuilding and ship repair cash-generating unit to assets held for sale. The recoverable amount of the shipbuilding and ship repair cash-generating unit had been determined based on cash flow projection covering five-year periods and discount rate of 25.21% in 2012. In view of the shipbuilding operation suffered continuous losses, and had been in prolonged litigation and with production suspended, it is considered that the cash flow generated from this cash-generating unit is minimal and cannot cover the carrying amount of goodwill, and, therefore, full impairment had been provided during the year ended 31 December 2012.

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

20. INTERESTS IN SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**234,008**	234,008
Deemed investment cost*	**346,978**	102,117
Due from subsidiaries	**4,828,191**	4,987,403
Less: Impairment	**(5,409,177)**	(5,323,528)
Non-current portion	**–**	–

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

During the year, the Group recognised an impairment loss of HK$85,649,000 (2012: HK$3,807,054,000) on the amounts due from subsidiaries and investment costs based on the estimation of future cash flows expected to be generated from the respective subsidiaries as a result of the severe financial difficulties suffered by the subsidiaries.

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

20. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

20. INTERESTS IN SUBSIDIARIES (Continued)

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

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

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

° Placed into liquidation in 2013.

* Placed into liquidation in 2014.

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

20. INTERESTS IN SUBSIDIARIES (Continued)

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

Shares of certain subsidiaries held by the Group were pledged to the note holders of the Senior Notes Due 2012 (note 28), the Convertible Notes Due 2015 (note 29) and the PIK Notes Due 2015 (note 30).

21. INVENTORIES

At 31 December 2013, the Group had no oil products (2012: HK$43,789,000).

In addition, the Group had supplies of HK$44,789,000 (2012: HK$43,688,000) for shipbuilding and building of ship repair facilities operations, which amount is included in assets of a disposal group classified as held for sale at 31 December 2013 as set out in note 5(c).

During the year ended 31 December 2012, the Group had supplies or oil products of HK$1,968,000 for onshore storage operations which was deconsolidated from the financial statements of the Group as set out in note 10(a).

22. ACCOUNTS RECEIVABLE

	Group	
	2013	2012
	HK$'000	HK$'000
Accounts receivable	**14,440**	24,577
Impairments	**(14,259)**	(22,740)
	181	1,837

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. At 31 December 2013, the accounts receivable belongs to amount due from a trade debtor related to the supply of oil product business. The Group has reviewed the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a accounts receivable.

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

	2013	2012
	HK$'000	HK$'000
1 to 3 months	**181**	1,345
4 to 6 months	**–**	231
7 to 12 months	**–**	261
	181	1,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

22. ACCOUNTS RECEIVABLE (Continued)

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

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**22,740**	15,572
Released upon deconsolidation of subsidiaries	**(8,897)**	–
Bad debts written off	**(471)**	–
Impairment losses recognised (note 7)	**887**	7,166
Exchange realignments	**–**	2
At 31 December	**14,259**	22,740

Included in the above provision for impairment of account receivables is a provision for individually impaired accounts receivables of HK$14,259,000 (2012: HK$22,740,000) with a carrying amount before provision of HK$14,440,000 (2012: HK$24,577,000). The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**181**	1,345
Less than 3 months past due	**–**	–
More than 3 months past due	**–**	492
	181	1,837

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

At 31 December 2013, included in the Group's prepayments, deposits and other receivables (net of the provision) are prepayments of HK$4,080,000 (2012: HK$570,000), deposits of HK$13,878,000 (2012: HK$13,745,000) and other receivables of HK$143,771,000 (2012: HK$232,774,000). Included in other receivables of HK$139,090,000 (2012: HK$208,635,000) were receivables from the liquidator of TGIL.

At 31 December 2013, included in the consolidated statement of financial position was the provision for impairments of prepayments, deposits, and other receivable of HK$8,218,000 (2012: HK$39,337,000) on prepayments, deposits and other receivables in continuing operations, based on estimated irrecoverable amounts determined by reference to past experience.

At 31 December 2013, included in the assets of a disposal group classified as held for sale was prepayments, deposits and other receivables of Titan Quanzhou Shipyard with net carrying amount of approximately HK$52,590,000 (2012: HK$51,625,000). The Group has not recognised impairment loss for the year ended 31 December 2013 (2012: impairment of HK$107,013,000) on prepayments, deposits and other receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

24. FINANCIAL GUARANTEE CONTRACTS

At 31 December 2013, the carrying value of financial guarantee contracts arising from financial guarantees granted by the Company to (i) a bank for a loan to a subsidiary of the Group, (ii) shipowners for charter hire expenses of a subsidiary of the Group in accounts payable and (iii) the K-Line Notes Due 2013, aggregated amounted to HK$346,978,000 (2012: HK$102,117,000). The financial guarantee contract are eliminated on consolidation but are reflected in the Company's statement of financial position.

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**19,683**	191,282	**261**	264
Time deposits	**487,040**	535,767	**–**	–
	506,723	727,049	**261**	264
Less: Amounts pledged for banking facilities (note 26(i)) and restricted cash:				
Bank balances	**(19)**	(68,722)	**–**	–
Time deposits	**(26,478)**	(26,452)	**–**	–
Time deposits with original maturities of more than three months	**(460,562)**	(509,315)	**–**	–
	(487,059)	(604,489)	**–**	–
Cash and cash equivalents	**19,664**	122,560	**261**	264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

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

At the end of the reporting period, including those classified under assets of a disposal group classified as held for sale, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$461,324,000 (2012: HK$529,089,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

26. INTEREST-BEARING BANK LOANS

	Group					
	2013			2012		
Group	**Effective interest rate (%)**	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured	**–**	**–**	**–**	1.75-5.00	2013	118,049
Bank loans – unsecured	**6.63**	**2012**	**5,850**	6.99-7.62	2012-2013	66,657
			5,850			184,706

	Group	
	2013	2012
	HK$'000	HK$'000
Bank loans repayable:		
Within one year	**5,850**	184,706

As at 31 December 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$654,347,000 (2012: HK$351,797,000). The Company was continually in discussions with banks on the terms of the settlement of such defaulted loan.

26. INTEREST-BEARING BANK LOANS (Continued)

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

i) bank balances and deposits of HK$460,562,000 (2012: HK$578,019,000);

ii) prepaid land/seabed lease payments with an aggregate net carrying value of HK$338,380,000 (2012: HK$330,380,000);

iii) construction in progress with an aggregate carrying value of HK$811,295,000 at 31 December 2012;

iv) machinery with an aggregate net carrying value of HK$97,526,000 at 31 December 2012;

v) buildings with an aggregate net carrying value of HK59,155,000 (2012: HK$454,039,000);

vi) corporate guarantees executed by the Company and its subsidiaries; and

vii) personal guarantees executed by a former related party and a former director of the Company at 31 December 2012.

The carrying amounts of the Group's current and floating rate loans approximate to their fair values.

27. ACCOUNT S PAYABLE, OTHER PAYABLES AND ACCRUALS

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

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
1 to 3 months	**–**	88,062	**–**	–
4 to 6 months	**–**	44,434	**–**	–
7 to 12 months	**19**	82,036	**–**	–
Over 12 months	**351,389**	187,943	**–**	–
	351,408	402,475	**–**	–
Other payables and accruals	**4,520,305**	1,236,530	**1,077,982**	1,051,133
	4,871,713	1,639,005	**1,077,982**	1,051,133

Included in other payables and accruals is an amount of HK$4,222,659,000 in respect of amounts due to deconsolidated subsidiaries as further detailed in note 9(c). 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$946,711,000) has been presented in "Amounts due to the ultimate holding Company" to the consolidated statement of financial position as at 31 December 2013. Details of the above were set out in notes 5(a) and 42.

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

Pursuant to an indenture dated 17 March 2005 entered into by the Company, together with certain subsidiaries of the Company, which guarantee the issue of the Senior Notes Due 2012 (the "Subsidiary Guarantors") with Deutsche Bank Trust Company Americas as the original trustee and the trustee subsequently changed to the Bank of New York Mellon in 2010, the Company issued the Senior Notes Due 2012 in the aggregate principal amount of US$400 million (equivalent to approximately HK$3,120 million) with directly attributable transaction costs of HK$90,709,000. The Senior Notes Due 2012 were due on 18 March 2012 with a lump sum repayment, unless redeemed earlier pursuant to specified terms. The Senior Notes Due 2012 bear interest at the rate of 8.5% per annum, payable semi-annually in arrears on 18 March and 18 September each year, commencing on 18 September 2005, and are listed on the Singapore Exchange Securities Trading Limited.

The obligations of the Company under the Senior Notes Due 2012 are guaranteed by the Subsidiary Guarantors and the pledge of shares of certain Subsidiary Guarantors. The list of subsidiaries comprising the Subsidiary Guarantors and the shares pledged are more fully described in the Company's announcement dated 11 March 2005 together with details of the principal terms of the Senior Notes Due 2012.

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. The outstanding principal in respect of the Senior Notes Due 2012 as at 31 December 2013 and 2012 was US$105,870,000 (equivalent to approximately HK$825,786,000), while the fair value of the Senior Notes Due 2012 as at 31 December 2013 and 2012 was US$6,222,000 (equivalent to approximately HK$48,515,000) and US$28,453,000 (equivalent to approximately HK$221,933,000), respectively.

As at 31 December 2013, the effective interest rate on the Senior Notes Due 2012 was 8.5% per annum.

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

The Company issued US$78,728,000 (equivalent to approximately HK$614,078,000) aggregate principal amount of the Convertible Notes Due 2015 on 28 July 2010 (27 July 2010, New York City Time) in exchange for tendered the Senior Notes Due 2012. The Convertible Notes Due 2015 are due on 13 July 2015 with a single repayment at 151.621% of their principal amount, unless earlier redeemed, repurchased or purchased by the Company or converted. The Convertible Notes Due 2015 bear no interest, and were listed on the Singapore Exchange Securities Trading Limited. Holders of the Convertible Notes Due 2015 are entitled to convert their Convertible Notes Due 2015 with a minimum principal amount of US$1,000 or integral multiples of US$500 in excess thereof based on an initial conversion rate of 10,915 conversion shares per US$1,000 in principal amount of the Convertible Notes Due 2015, subject to adjustments. This implies an initial conversion price (subject to adjustments) of US$0.0916 (equivalent to approximately HK$0.7145) per conversion share. Conversion may occur on any day prior to (and including) the seventh business day prior to the maturity date of the Convertible Notes Due 2015.

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

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

During the year ended 31 December 2013 and 2012, none of the Convertible Notes Due 2015 were converted into ordinary shares.

The Convertible Notes Due 2015 comprise a financial liability at amortised cost and an embedded derivative. The effective interest rate on the Convertible Notes Due 2015 was 12.22% per annum.

On 6 September 2012, the winding-up petition at the Bermuda court remained undismissed or unstayed for a period of 60 consecutive days which, in turn, constituted an event of default under the terms of the Convertible Notes Due 2015 as set out in note 42(b).

At 31 December 2013, the outstanding principal of the Convertible Notes Due 2015 was US$47,960,000 (equivalent to approximately HK$374,088,000) (2012: US$47,960,000 (equivalent to approximately HK$374,088,000)).

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

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

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

On 6 September 2012, the winding-up petition at the Bermuda court remained undismissed or unstayed for a period of 60 consecutive days which, in turn, constituted an event of default under the terms of the PIK Notes Due 2015 as set out in note 42(b).

The PIK Notes Due 2015 are carried at amortised cost with an effective interest rate of 8.5% per annum (2012: 11.03%). At 31 December 2013 and 2012, the outstanding principal of the PIK Notes Due 2015 was US$12,364,095 (equivalent to approximately HK$96,440,000) and US$11,376,541 (equivalent to approximately HK$88,737,000), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

31. CONVERTIBLE PREFERRED SHARES

	Group		Company	
	Equity portion HK$'000	Liability portion HK$'000	Equity portion HK$'000	Liability portion HK$'000
a) Titan preferred shares				
At 31 December 2011 and 1 January 2012	75,559	363,176	75,559	363,176
Add: Dividends on convertible preferred shares (classified as financial liabilities) (note 8)	–	28,326	–	28,326
Less: Transfer to accumulated losses upon redemption of Titan preferred shares (note 38)	(75,559)	–	(75,559)	–
At 31 December 2012 and 1 January 2013	**–**	**391,502**	**–**	**391,502**
Add: Dividends on convertible preferred shares (classified as financial liabilities) (note 8)	**–**	**14,608**	**–**	**14,608**
At 31 December 2013	**–**	**406,110**	**–**	**406,110**
b) TGIL preferred shares				
At 31 December 2011 and 1 January 2012	477,083	398,932	–	–
Add: Dividends on convertible preferred shares (note 8)	–	16,655	–	–
Loss on early redemption (note 5(c))	–	1,013,937	–	–
Less: Deemed disposals of partial interest in a jointly-controlled entity	–	(2,989)	–	–
Realised on deemed disposals of partial interest in a jointly-controlled entity	(3,470)	–	–	–
Deconsolidation of a jointly-controlled entity (note 10(a))	–	(1,426,535)	–	–
Realised on deconsolidation of a jointly-controlled entity	(473,613)	–	–	–
At 31 December 2012, 1 January 2013 and 31 December 2013	**–**	**–**	**–**	**–**

31. CONVERTIBLE PREFERRED SHARES (Continued)

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

31. CONVERTIBLE PREFERRED SHARES (Continued)

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

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

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

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

On 4 July 2012, the Company received from SPHL a notice to redeem all of the Company's outstanding 555,000,000 preferred shares held by it at a redemption amount equal to the notional value of the Company's preferred shares (being HK$310,800,000) together with any accrued and unpaid dividends. As a result, the equity portion of the Titan preferred shares were transferred to the accumulated losses upon redemption for the year ended 31 December 2012.

32. 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.

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

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

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

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

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

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 qualifying 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.

33. LOANS FROM THE ULTIMATE/IMMEDIATE HOLDING COMPANY AND AMOUNTS DUE TO THE ULTIMATE/IMMEDIATE HOLDING COMPANY

	2013			2012		
Group	**Effective interest rate (%)**	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Unsecured loans						
– ultimate holding company (note a)	**5.6-7.84**	**2014**	**95,283**	–	–	–
– immediate holding company (note b)	**–**	**–**	**–**	2	2013	9,700
			95,283			9,700
Non-current						
Unsecured loan						
– immediate holding company (note c)	**2**	**2018**	**3,000**	–	–	–
			3,000			–
Company						
Non-current						
Unsecured loan						
– immediate holding company (note c)	**2**	**2018**	**3,000**	–	–	–
			3,000	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

33. LOANS FROM THE ULTIMATE/IMMEDIATE HOLDING COMPANY AND AMOUNTS DUE TO THE ULTIMATE/IMMEDIATE HOLDING COMPANY (Continued)

	Group	
	2013	2012
	HK$'000	HK$'000
Loans repayable:		
Within one year	**95,283**	9,700
In the third to fifth years, inclusive	**3,000**	–
	98,283	9,700

Notes:

a) The loans from the ultimate holding company denominated in RMB with the amount of RMB74,479,000 (equivalent to approximately HK$95,283,000) are unsecured, carry an interest rate at basic lending rate of the People's Bank of China under same period and same grade per annum. Among such, RMB39,000,000 (equivalent to approximately HK$49,894,000) was a non-cash transaction.

b) On 24 October and 19 December 2012, the Group received a loan aggregating of HK$9,700,000 from Fame Dragon, the Company's immediate holding company. The loan was unsecured, carried an interest rate of 2% per annum and was repaid during the year ended 31 December 2013.

c) The loans from the ultimate holding company denominated in HKD with the amount of HK$3,000,000 is unsecured, carries an interest rate of 2% per annum and is repayable after 5 years from the date of entering into the loan agreement.

d) The loans from the ultimate holding company denominated in RMB with the amount of RMB1,429,497,000 (equivalent to approximately HK$1,828,812,000) classified as disposal group held for sale (note 5(c)) are repayable on demand and carry an interest rate at the basic lending rate of the People's Bank of China per annum. Such loan constituted a non-cash transaction. They are secured by:

   i) construction in progress with an aggregate carrying value of HK$836,392,000 (2012: HK$Nil);

   ii) machinery with an aggregate net carrying value of HK$147,319,000 (2012: HK$Nil);

   iii) buildings with an aggregate net carrying value of HK$394,161,000 (2012: HK$Nil);

   iv) corporate guarantees executed by the Company and its subsidiaries; and

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

e) The carrying amounts of the Group's loans from the ultimate holding company and immediate holding company approximate to their fair values. The fair values of the loans from the ultimate holding company of the Group are estimated by discounting the expected future cash flows at prevailing interest rates.

The amounts due to the ultimate/immediate holding company are unsecured, interest-fee and have no fixed terms of repayment.

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

On 14 July 2009, the Company, TOSIL, Warburg Pincus and TGIL entered into an agreement by which TOSIL and Warburg Pincus became entitled to provide, pro rata to their shareholdings in TGIL, funding of up to HK$312,600,000 (equivalent to approximately US$40,100,000) through the subscription of the TGIL Notes Due 2014.

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

34. CONVERTIBLE UNSECURED NOTES (THE "TGIL NOTES DUE 2014") (Continued)

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

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

On 18 June 2012, the Company received from SSL a notice to exercise its redemption right under the terms of the TGIL Notes Due 2014. In addition, the TGIL Notes Due 2014 were derecognised upon the deconsolidation of the jointly-controlled entity as detailed in note 2.2.

35. DEFERRED TAX LIABILITIES

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

Group	Accelerated capital allowances HK$'000	Group fair value adjustments arising from acquisition of subsidiaries HK$'000	Total HK$'000
At 1 January 2012	2,464	37,991	40,455
Deemed disposals of partial interest in a jointly-controlled entity	–	(277)	(277)
Deconsolidation of a jointly-controlled entity (note 10(a))	–	(37,714)	(37,714)
Deferred tax credited to the consolidated statement of profit or loss during the year (note 13)	(2,571)	–	(2,571)
Exchange realignment	107	–	107
At 31 December 2012, 1 January 2013 and 31 December 2013	**–**	**–**	**–**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

35. DEFERRED TAX LIABILITIES (Continued)

At the end of the reporting period, the continuing operations of the Group and the Company have unused tax losses of HK$64,046,000 (2012: HK$1,040,691,000) and HK$11,661,000 (2012: HK$11,661,000), respectively, available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

At 31 December 2013 and 2012, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries, associates and jointly-controlled entities established in Mainland China. In the opinion of the Directors, it is unlikely that these subsidiaries will distribute such earnings in the foreseeable future. At 31 December 2013 and 2012, there were no significant unrecognised deferred tax liabilities for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group had no material liabilities for additional taxes should such amounts be remitted.

36. SHARE CAPITAL

Shares

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

Notes:

a) During the years ended 31 December 2013 and 2012, none of the Convertible Notes Due 2015 were converted into ordinary shares.

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

Share option scheme

Details of the Company's share option schemes and the movements in share options issued by the Company are included in note 37 to the consolidated financial statements.

37. SHARE OPTION SCHEME

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

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

a) Summary of the Schemes

i) *Purposes of the Schemes*

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

ii) *Participants in the Schemes*

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

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

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

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

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

iv) *Maximum entitlement of each participant*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

37. SHARE OPTION SCHEME (Continued)

a) Summary of the Schemes (Continued)

v) *Time of exercise of options*

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

vi) *Amount payable on acceptance*

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

vii) *Basis of determining the subscription price*

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

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

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

iii) the nominal value of a Share.

viii) *Remaining life of the Schemes*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

37. SHARE OPTION SCHEME (Continued)

b) Share Option Movements

i) 2002 Share Option Scheme

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

Name or category of participant	Number of share option: At 1 January 2013	Granted during the year	Lapsed during the year	Exercised during the year	At 31 December 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			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

37. SHARE OPTION SCHEME (Continued)

b) Share Option Movements (Continued)

i) 2002 Share Option Scheme (Continued)

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

Name or category of participant	Number of share options: At 1 January 2012	Granted during the year	Lapsed during the year	Exercised during the year	At 31 December 2012	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$
Director								
Mr. Patrick Wong Siu Hung	10,000,000	–	–	–	10,000,000	1 February 2008	1 February 2010 to 31 January 2015	0.45
	10,000,000	–	–	–	10,000,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	20,000,000	–	–	–	20,000,000			
Other employees								
In aggregate	9,580,000	–	(9,580,000)	–	–	20 February 2006	20 February 2007 to 19 February 2012	0.72
	9,580,000	–	(1,605,000)	–	7,975,000	20 February 2006	20 February 2008 to 19 February 2013	0.72
	15,290,000	–	(8,240,000)	–	7,050,000	1 February 2008	1 February 2010 to 31 January 2015	0.45
	74,520,000	–	(41,324,000)	–	33,196,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	47,120,000	–	(22,414,000)	–	24,706,000	1 February 2008	1 February 2012 to 31 January 2017	0.45
	42,600,000	–	(15,612,000)	–	26,988,000	1 February 2008	1 February 2013 to 31 January 2018	0.45
	198,690,000	–	(98,775,000)	–	99,915,000			
	218,690,000	–	(98,775,000)	–	119,915,000			

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

37. SHARE OPTION SCHEME (Continued)

b) Share Option Movements (Continued)

i) 2002 Share Option Scheme (Continued)

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

At the end of the reporting period, the Company had outstanding share options for the subscription of 39,100,000 ordinary shares under the 2002 Share Option Scheme. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 39,100,000 additional ordinary shares of the Company and additional share capital of HK$391,000 and share premium of HK$17,204,000 (before issue expenses).

ii) New Share Option Scheme

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

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

	2013		2012	
	Weighted average exercise price per share HK$	**Number of shares issuable under options**	Weighted average exercise price per share HK$	Number of shares issuable under options
Outstanding at 1 January	**0.468**	**119,915,000**	0.474	218,690,000
Lapsed	**0.477**	**(80,815,000)**	0.481	(98,775,000)
Outstanding at 31 December	**0.450**	**39,100,000**	0.468	119,915,000

None of the 39,100,000 outstanding options (2012: 119,915,000) has been exercised during the year ended 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

38. DEFICITS

a) Group

	Notes	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	PRC statutory reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 December 2011 and 1 January 2012		2,473,241	18,261	38,778	559	57,399	431,254	(2,628,764)	390,728
Total comprehensive loss for the year		–	–	–	–	–	(30,473)	(3,977,144)	(4,007,617)
Share option expenses		–	–	1,069	–	–	–	–	1,069
Realised on deemed disposals of partial interest in a jointly-controlled entity*		–	–	–	–	–	(4)	–	(4)
Transfer of equity portion of convertible preferred shares and convertible unsecured notes upon redemption		–	–	–	–	–	–	558,010	558,010
Released upon deconsolidation of a jointly-controlled entity		–	–	–	(559)	(57,399)	(234,524)	57,958	(234,524)
Transfer of the Titan preferred shares to accumulated losses upon redemption	31	–	–	–	–	–	–	75,559	75,559
Transfer to accumulated losses upon lapse of share options after vesting periods		–	–	(19,676)	–	–	–	19,676	–
Transfer to PRC statutory reserve		–	–	–	175	–	–	(175)	–
At 31 December 2012 and 1 January 2013		**2,473,241**	**18,261**	**20,171**	**175**	**–**	**166,253**	**(5,894,880)**	**(3,216,779)**
Total comprehensive loss for the year		**–**	**–**	**–**	**–**	**–**	**(13,108)**	**(4,570,232)**	**(4,583,340)**
Share option expenses		**–**	**–**	**82**	**–**	**–**	**–**	**–**	**82**
Released upon deconsolidation of subsidiaries	9(a)	**–**	**–**	**–**	**–**	**–**	**(2,495)**	**–**	**(2,495)**
Transfer to accumulated losses upon lapse of share options after vesting periods		**–**	**–**	**(14,017)**	**–**	**–**	**–**	**14,017**	**–**
At 31 December 2013		**2,473,241**	**18,261**	**6,236**	**175**	**–**	**150,650**	**(10,451,095)**	**(7,802,532)**

* During the year ended 31 December 2012, SSL exercised its subscription rights under the warrant issued by TGIL. TGIL alloted and issued 3,507 new ordinary shares to SSL and resulted in a dilution of 0.67% to the Group's equity interest in jointly-controlled entities.

38. DEFICITS (Continued)

a) Group (Continued)

Share premium

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

Contributed surplus

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

Share option reserve

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

PRC statutory reserve

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

Asset revaluation reserve

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

Exchange fluctuation reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

38. DEFICITS (Continued)

b) Company

	Notes	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 December 2011 and 1 January 2012		2,473,241	60,916	38,778	(1,639,288)	933,647
Total comprehensive loss for the year	14	–	–	–	(4,079,718)	(4,079,718)
Share option expenses		–	–	1,069	–	1,069
Transfer to accumulated losses upon lapse of share options after vesting period		–	–	(19,676)	19,676	–
Transfer of the Titan preferred shares to accumulated losses upon redemption	31	–	–	–	75,559	75,559
At 31 December 2012 and 1 January 2013		**2,473,241**	**60,916**	**20,171**	**(5,623,771)**	**(3,069,443)**
Total comprehensive loss for the year	14	**–**	**–**	**–**	**(410,782)**	**(410,782)**
Share option expenses		**–**	**–**	**82**	**–**	**82**
Transfer to accumulated losses upon lapse of share options after vesting period		**–**	**–**	**(14,017)**	**14,017**	**–**
At 31 December 2013		**2,473,241**	**60,916**	**6,236**	**(6,020,536)**	**(3,480,143)**

Share premium

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

Contributed surplus

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

Share option reserve

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

39. OPERATING LEASE ARRANGEMENTS

a) As lessor

At 31 December 2013 and 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 total future minimum lease receivables under non-cancellable operating leases falling due as follows:

b) As lessee

The Group leases vessels and certain office premises under operating lease arrangements. At 31 December 2013, the Group did not lease vessels under operating lease arrangement (2012: two to five years), At 31 December 2013, leases for office premises are negotiated for terms ranging from one to three years (2012: 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:

	Group	
	2013	2012
	HK$'000	HK$'000
Vessels		
Within one year	**–**	55,517
In the second to fifth years, inclusive	**–**	104,294
	–	159,811
Office premises		
Within one year	**3,845**	8,626
In the second to fifth years, inclusive	**3,665**	13,107
	7,510	21,733
	7,510	181,544

40. COMMITMENTS

	Group	
	2013	2012
	HK$'000	HK$'000
Commitment for shipbuilding and ship repair facilities in Mainland China*	**870,948**	846,408

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

41. GUARANTEES

At 31 December 2013, guarantees with aggregated amounts of HK$346,978,000 (2012: HK$314,478,000) were given by the Company to (i) a bank for a loan to a subsidiary of the Group, (ii) shipowners for charter hire expenses to a subsidiary of the Group and (iii) the K-Line Notes Due 2013, of which, an amount of HK$346,978,000 (2012: HK$102,117,000) has been recognised in the Company's statement of financial position.

At 31 December 2012, guarantees with aggregated amounts of RMB44,000,000 (equivalent to approximately HK$54,602,000) had been provided to a deconsolidated jointly-controlled entity by the Group for a loan. 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 year upon settlement.

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

42. CONTINGENT LIABILITIES

a) Arbitrations

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

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

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

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

42. CONTINGENT LIABILITIES (Continued)

a) Arbitrations (Continued)

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 (Continued)

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 US$20,755,188.89. Edinburgh and Camden have also counterclaimed against the Company and TSL for US$7,449,911.02 and US$6,425,312.50 respectively.

The parties are currently at the stage of exchanging evidence.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

42. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

Camden claimed that TSL, a subsidiary of the Company, failed to pay certain hiring charges to Camden pursuant to a bareboat charter party contract and that the Company was liable to Camden for such hiring charges plus interest thereon in the sum of approximately US$6,853,032 (up to 16 April 2013) pursuant to a deed of guarantee issued by the Company in favour of Camden.

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").

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

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

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

iii) the Titan Stay Application was dismissed;

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

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

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

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

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

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

42. 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 up of the Informal Committee.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

42. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

For the purposes of being able to properly advise the Bermuda Court on the feasibility of the restructuring proposals, the Bermuda Court has required the Company to consult and agree an extension of the powers for the JPLs (the "Extension of the JPLs' Powers") and report back to the Bermuda Court accordingly. Further details in respect of 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;

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;

42. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

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 basis, 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.

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 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

42. CONTINGENT LIABILITIES (Continued)

c) BVI Proceedings (Continued)

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.

d) Hong Kong Proceedings

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

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

42. CONTINGENT LIABILITIES (Continued)

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 was RMB1,865,670,000 or a maximum reduced consideration of RMB1,665,670,000 if Titan Quanzhou Shipyard's profit targets for the two years ending 31 December 2012 were not met. Pursuant to a supplemental agreement signed in 2011, such net profit targets were cancelled and the consideration for the proposed disposal was fixed at RMB1,665,670,000 (equivalent to approximately HK$2,054,139,000).

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

On 30 May 2012, Titan Fujian received a summons issued by the Shanghai Intermediate Court with Grand China Logistics as plaintiff and the Company and two wholly-owned subsidiaries of the Company, Titan TQSL and Titan Fujian, as defendants, that sought an order for, amongst other things, the termination of the GCL Sale and Purchase Agreement and repayment to Grand China Logistics of an aggregate of RMB740,000,000 together with accrued interest or for the Company to fulfil its 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, respectively.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

42. CONTINGENT LIABILITIES (Continued)

e) PRC Proceedings (Continued)

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

On 10 June 2013, the Company received a notification from Grand China Logistics dated 7 June 2013 informing the Company that it had entered into an assignment in respect of the 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 and liable to be enforced by GZE. Further details in respect of the above are included in the Company's announcement dated 14 January 2014.

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

43. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during 2013 and 2012:

i) Tenancy agreement with Titan Oil

In 2011, the Group entered into a tenancy agreement with the former ultimate holding company, Titan Oil for the lease of office premises for a term of three years commencing from 1 January 2011 until 31 December 2013. During the year, the Group paid total rent of SG$27,000 (equivalent to approximately HK$169,000) (2012: SG$326,000 (equivalent to approximately HK$2,039,000)) to Titan Oil for the lease of the office premises, which was charged based on prevailing market rates.

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

On 1 September 2010, a subsidiary of the Group entered into five charter agreements with Oceanic Shipping, a company incorporated in Singapore and wholly-owned by a former director, to charter five vessels for a term of three years commencing from 1 September 2010 to 31 August 2013. During the year, the Group did not pay any charter fees to Oceanic Shippings (2012: US$5,095,000 (equivalent to approximately HK$39,741,000)) in charter fees to Oceanic Shipping. The amount was comparable to the prevailing market rates for similar bareboat charters and terms. As at 31 December 2013 and 31 December 2012, there were no unpaid charter hire expenses.

On 1 June 2012, a subsidiary of the Group received a written notice from Oceanic Shipping to terminate all five bareboat charter agreements with effect from the same day. Oceanic Shipping confirmed that subject to delivery of the vessels, the subsidiary of the Group was released from all obligations under the charter agreements other than its obligation to pay accrued and unpaid charter fees up to and including 31 May 2012 totalling US$5,551,000 (equivalent to approximately HK$43,298,000).

The above transactions also constitute continuing connected transactions under the Listing Rules and with respect to which the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

iii) Guarantees to GZE

At 31 December 2013, a former personal guarantee and security of certain shares of the Company were provided by one of the former directors of the Company to GZE in connection with loans of RMB1,429,497,000 (equivalent to approximately HK$1,828,812,000) (2012: to a bank of RMB(1,419,497,000) (equivalent to approximately HK$1,762,000,000)) granted to Titan Quanzhou Shipyard.

iv) Advances from/to Titan Oil and its subsidiaries

At 31 December 2013, the Group had an amount due from a subsidiary of Titan Oil of RMB874,000 (equivalent to approximately HK$1,118,000) (2012: RMB874,000 (equivalent to approximately HK$1,085,000)), an amount due to a subsidiary of Titan Oil of RMB14,319,000 (equivalent to approximately HK$18,319,000) (2012: RMB14,319,000 (equivalent to approximately HK$17,770,000)) which were unsecured, interest-free and had no fixed terms of repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

43. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

v) Loan from the immediate holding company

At 31 December 2013, the Group had a loan from Fame Dragon in the principal amount of HK$3,000,000 (2012: HK$9,700,000), interest accrued of HK$27,000 (2012: HK$30,000). The loan amounted to HK$9,700,000 and the interest of HK$42,000 were repaid on 24 January 2013.

The loan entered in 2013 was unsecured, carried interest at 2% per annum and was repayable after 5 years from the date of entering into the loan agreement.

The loan entered in 2012 was unsecured, carried interest at 2% per annum and was repayable within 1 year.

vi) Loans from the ultimate holding company

At 31 December 2013, 嵊泗海鑫石油有限公司 (Shengsi Haixin Petrochemical Co., Ltd) ("Shengsi Haixin") had a loan from GZE in the principal amount of RMB35,479,000 (equivalent to approximately HK$45,389,000) and interest accrued of RMB204,000 (equivalent to approximately HK$261,000). The loan was unsecured, carried at basic lending rate of People's Bank of China under same period and same grade and repayable within 5 months.

At 31 December 2013, 廣州泰山石化有限公司 (Guangzhou Titan Petrochemical Co., Ltd) ("Guangzhou Titan") had a loan from GZE in the principal amount of RMB39,000,000 (equivalent to approximately HK$49,894,000) and interest accrued of RMB3,719,000 (equivalent to approximately HK$4,758,000). The loan was secured by 泉州泰山石化碼頭發展有限公司, 廣州南沙泰山石化發展有限公司 and Titan Quanzhou Shipyard, carried at basic lending rate of People's Bank of China under same period and same grade and had no fixed term of repayment.

On 28 October, 2013, the Company received a notice issued by the Guangdong Province branch of China Cinda Asset Management Co., Ltd ("China Cinda") to Titan Quanzhou Shipyard whereby China Cinda informed Titan Quanzhou Shipyard that (i) it has transferred to GZE the rights and interests owed by Titan Quanzhou Shipyard; and (ii) the collateral and guarantee granted in respect of the Indebtedness in (i) above. At 31 December 2013, the loan due to GZE was RMB1,429,497,000 (equivalent to approximately HK$1,828,812,000) and interest accrued of RMB67,042,000 (equivalent to approximately HK$85,769,000). The loan was secured, carried at basic lending rate of People's Bank of China under same period and same grade and repayable on demand.

vii) Compensation of key management personnel of the Group

	2013 HK$'000	2012 HK$'000
Short term employee benefits	**10,855**	7,145
Post-employment benefits	**45**	31
Equity-settled share option expenses	**–**	–
Total compensation paid to key management personnel	**10,900**	7,176

Further details of directors' emoluments are included in note 11 to the financial statements.

44. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

Financial assets

	Financial assets at fair value through profit or loss		Loans and receivables		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Accounts receivable	**–**	–	**181**	1,837	**181**	1,837
Financial assets included in deposits and other receivables	**–**	–	**157,649**	246,519	**157,649**	246,519
Pledged deposits and restricted cash	**–**	–	**487,059**	604,489	**487,059**	604,489
Cash and cash equivalents	**–**	–	**19,664**	122,560	**19,664**	122,560
	–	–	**664,553**	975,405	**664,553**	975,405

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Accounts payable	**–**	–	**351,408**	402,475	**351,408**	402,475
Financial liabilities included in other payables and accruals	**–**	2,361	**4,519,212**	1,221,351	**4,519,212**	1,223,712
Interest-bearing bank loans	**–**	–	**5,850**	184,706	**5,850**	184,706
Loans from the ultimate holding company	**–**	–	**95,283**	–	**95,283**	–
Loan from the immediate holding company	**–**	–	**3,000**	9,700	**3,000**	9,700
Amounts due to the ultimate holding company	**–**	–	**951,730**	–	**951,730**	–
Amount due to the immediate holding company	**–**	–	**27**	–	**27**	–
Senior Notes Due 2012	**–**	–	**962,062**	891,871	**962,062**	891,871
Convertible Notes Due 2015	**–**	–	**499,693**	453,971	**499,693**	453,971
PIK Notes Due 2015	**–**	–	**100,243**	92,236	**100,243**	92,236
Liability portion of convertible preferred shares	**–**	–	**406,110**	391,502	**406,110**	391,502
K-Line Notes Due 2013	**–**	(176,049)	**227,292**	221,999	**227,292**	45,950
	–	(173,688)	**8,121,910**	3,869,811	**8,121,910**	3,696,123

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

44. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Company

Financial assets

	Financial assets at fair value through profit or loss		Loans and receivables		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Financial assets included in deposits and other receivables	**–**	–	**14**	5	**14**	5
Cash and cash equivalents	**–**	–	**261**	264	**261**	264
	–	–	**275**	269	**275**	269

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts due to subsidiaries	**–**	–	**9,464**	9,016	**9,464**	9,016
Financial liabilities included in other payables and accruals	**–**	–	**1,077,982**	1,051,133	**1,077,982**	1,051,133
Financial guarantee contracts	**–**	–	**346,978**	102,117	**346,978**	102,117
Amount due to the immediate holding company	**–**	–	**27**	–	**27**	–
Senior Notes Due 2012	**–**	–	**962,062**	891,871	**962,062**	891,871
Convertible Notes Due 2015	**–**	–	**499,693**	453,971	**499,693**	453,971
PIK Notes Due 2015	**–**	–	**100,243**	92,236	**100,243**	92,236
Liability portion of convertible preferred shares	**–**	–	**406,110**	391,502	**406,110**	391,502
Loan from the immediate holding company	**–**	–	**3,000**	–	**3,000**	–
	–	–	**3,405,559**	2,991,846	**3,405,559**	2,991,846

Note: The above table and the analyses below ended excluded the respective items classified as held in sale.

45. 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, amounts due to the ultimate holding company, amount due to the immediate holding company, loans from the ultimate holding company, loan from the immediate 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.

45. 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)

Assets measured at fair value:

Group
As at 31 December 2013:

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

As at 31 December 2012:

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

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

45. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy (Continued)

Liabilities measured at fair value:

Group
As at 31 December 2013:

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

As at 31 December 2012:

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

Company
As at 31 December 2013:

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

As at 31 December 2012:

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

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

Interest rate risks

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

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

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

	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax** HK$'000
2013		
Hong Kong dollar	**10**	**6**
Hong Kong dollar	**(10)**	**(6)**
2012		
Hong Kong dollar	24	14
Hong Kong dollar	(24)	(14)

Credit risks

Credit risks arise from the inability of a counterparty to meet payment terms. It is the Group's policy to minimise such credit exposures by careful assessment of customer credit worthiness. In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risks of the Group's other financial assets, which comprise cash and cash equivalents, other receivables, deposits and certain derivative instruments, arise from default of the counterparty, with a maximum exposure equal to the carrying amounts of such instruments. The Company is also exposed to credit risks through the granting of financial guarantees, further details of which are disclosed in note 41 to the consolidated financial statements.

Apart from receivable from a trade debtor (as stated in note 22) and receivable from the liquidator of TGIL (as stated in note 23), the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Concentration of credit risk related to that trade debtor and the liquidator of TGIL did not exceed 5% of the Group's total assets at any time during the year.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

Further quantitative data in respect of the Group's exposure to credit risks arising from accounts receivable are disclosed in note 22 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risks

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

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

Group

	On demand or within one year		Over one year		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Accounts payable	**351,408**	402,475	**–**	–	**351,408**	402,475
Financial liabilities included in other payables and accruals	**4,519,600**	1,223,712	**–**	–	**4,519,600**	1,223,712
Interest-bearing bank loans	**5,850**	184,706	**–**	–	**5,850**	184,706
Loans from the ultimate holding company	**95,283**	–	**–**	–	**95,283**	–
Loan from the immediate holding company	**–**	9,748	**3,000**	–	**3,000**	9,748
Amounts due to the ultimate holding company	**958,273**	–	**–**	–	**958,273**	–
Amount due to the immediate holding company	**87**	–	**–**	–	**87**	–
Senior Notes Due 2012	**1,032,254**	962,063	**–**	–	**1,032,254**	962,063
Convertible Notes Due 2015	**543,069**	499,693	**–**	–	**543,069**	499,693
PIK Notes Due 2015	**105,554**	103,278	**–**	–	**105,554**	103,278
Liability portion of convertible preferred shares	**406,110**	391,502	**–**	–	**406,110**	391,502
K-Line Notes Due 2013	**231,770**	223,572	**–**	–	**231,770**	223,572
	8,249,258	4,000,749	**3,000**	–	**8,252,258**	4,000,749

Company

	On demand or within one year		Over one year		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Amounts due to subsidiaries	**9,464**	9,016	**–**	–	**9,464**	9,016
Financial liabilities included in other payables and accruals	**1,078,069**	1,053,494	**–**	–	**1,078,069**	1,053,494
Guarantees given in connection with facilities granted to subsidiaries	**346,978**	314,478	**–**	–	**346,978**	314,478
Loan from the immediate holding company	**–**	–	**3,000**	–	**3,000**	–
Amount due to the immediate holding company	**87**	–	**–**	–	**87**	–
Senior Notes Due 2012	**1,032,254**	962,063	**–**	–	**1,032,254**	962,063
Convertible Notes Due 2015	**543,069**	499,693	**–**	–	**543,069**	499,693
PIK Notes Due 2015	**105,554**	103,278	**–**	–	**105,554**	103,278
Liability portion of convertible preferred shares	**406,110**	391,502	**–**	–	**406,110**	391,502
	3,521,585	3,333,524	**3,000**	–	**3,524,585**	3,333,524

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risks

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

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

	%	Increase/ (decrease) in loss before tax HK$'000
2013		
If RMB weakens against HK$	**2.73**	**(25,058)**
If RMB strengthens against HK$	**2.73**	**25,058**
2012		
If EUR weakens against RMB	1.92	1,060
If US$ weakens against RMB	1.97	2,576
If RMB weakens against HK$	1.67	15,314
		18,950
If EUR strengthens against RMB	1.92	(1,060)
If US$ strengthens against RMB	1.97	(2,576)
If RMB strengthens against HK$	1.67	(15,314)
		(18,950)

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital using gearing ratios, which is total debts divided by total assets, including the respective items classified as held for sale. The gearing ratios as at the end of the reporting periods were as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Interest-bearing bank loans	**705,520**	2,624,630
Senior Notes Due 2012	**962,062**	891,871
Convertible Notes Due 2015	**499,693**	453,971
PIK Notes Due 2015	**100,243**	92,236
K-Line Notes Due 2013	**227,292**	45,950
Loans from the ultimate holding company	**1,924,095**	–
Loan from the immediate holding company	**3,000**	9,700
Total debts	**4,421,905**	4,118,358
Total assets	**3,654,882**	3,472,311
Gearing ratio	**121%**	119%

47. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2013 (2012: Nil).

48. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year presentation. In the opinion of the Company's directors, such reclassifications provide a more appropriate presentation on the Group's business segments.

49. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the Report, the events that the Group had after the reporting period are as follows:

a) Listing status

The Company was placed in the second stage of delisting procedures in accordance with Practice Note 17 to the Listing Rules since 22 November 2013. The Company is required to submit a viable resumption proposal to the Stock Exchange 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.

49. EVENTS AFTER THE REPORTING PERIOD (Continued)

b) Convertible bonds subscriptions

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

The Company also entered into a subscription agreement with the New Berkeley (the "New Berkeley Subscription Agreement") on 9 April 2013 in relation to the subscription by New Berkeley 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 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.

c) Liquidation of Subsidiaries

Due to the Group cost control efforts, the following subsidiaries were placed into liquidation subsequent to 31 December 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 year and subsequent to 31 December 2013, most of their books and records have since been under the control of the liquidator.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2013

49. 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.

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 49(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,

49. 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 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, 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 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.

50. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 April 2014.

FIVE YEAR FINANCIAL SUMMARY

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

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue					
Continuing operations	**644,325**	1,272,127	1,915,886	1,724,559	1,457,557
Discontinued operations	**–**	89,577	281,147	386,940	547,692
	644,325	1,361,704	2,197,033	2,111,499	2,005,249
Profit/(loss) before tax					
Continuing operations	**(4,818,150)**	(482,177)	(480,614)	(475,771)	(391,336)
Discontinued operations	**249,252**	(3,556,131)	(296,426)	(110,693)	(143,577)
	(4,568,898)	(4,038,308)	(777,040)	(586,464)	(534,913)
Tax					
Continuing operations	**440**	7,854	(5,716)	6,500	(488)
Discontinued operations	**(1,774)**	53,310	(576)	(424)	–
	(1,334)	61,164	(6,292)	6,076	(488)
Loss for the year	**(4,570,232)**	(3,977,144)	(783,332)	(580,388)	(535,401)
Attributable to:					
Owners of the Company	**(4,570,232)**	(3,977,144)	(783,332)	(580,800)	(536,087)
Non-controlling interests	**–**	–	–	412	686
	(4,570,232)	(3,977,144)	(783,332)	(580,388)	(535,401)

	At 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**3,654,882**	3,472,311	10,622,591	9,517,212	9,446,295
Total liabilities	**(11,379,208)**	(6,610,884)	(9,516,000)	(7,773,810)	(7,710,220)
Equity portion of convertible unsecured notes in a jointly-controlled entity	**–**	–	(85,015)	(92,277)	(92,277)
Contingently redeemable equity in a jointly-controlled entity	**–**	–	(477,083)	(517,837)	(517,837)
Non-controlling interests	**–**	–	–	–	(8,629)
	(7,724,326)	(3,138,573)	544,493	1,133,288	1,117,332

LIST OF MAJOR ANNOUNCEMENTS

Year: 2013

Date	Particulars
18/01/2013	Special deal and appointment of Altus Capital Limited as the independent financial adviser
21/01/2013	Lapse of mandatory conditional cash offers
29/01/2013	Update on operations, the Subscription Agreement and Titan Debt Restructuring Proposal and Reacquisition
06/02/2013	(1) Resignation of Non-executive Director; (2) Change of member of remuneration committee; and (3) Change of authorised representative
18/02/2013	Update on Bermuda Proceedings
22/02/2013	Update on BVI Proceedings
28/02/2013	Poll results of Special General Meeting held on 28 February 2013 (vote down of Subscription)
15/03/2013	Update on the Company (open offer to subscribe CB), Bermuda Proceedings and Hong Kong Proceedings
18/03/2013	Update on Bermuda Proceedings
26/03/2013	Appointment of (1) Executive Director and Chief Executive; (2) Non-executive Director; and (3) Change of Chief Executive
27/03/2013	Further delay in 2012 interim and annual results and update on Hong Kong Proceedings
11/04/2013	CB Subscriptions by CGL Resources Ltd and New Berkeley Corporation
24/04/2013	Update on the Company
29/04/2013	CB Subscription by Wahen Investments Limited
02/05/2013	Update on Bermuda Proceedings
13/05/2013	Update on Bermuda Proceedings
23/05/2013	Listing Status (first stage of the delisting procedure)
10/06/2013	Transfer of interests, rights and obligation in 95% equity interests in Titan Quanzhou Shipyard from Grand China Logistics to GZE
17/06/2013	Further information on the transfer of interests, rights and obligation in 95% equity interests in Titan Quanzhou Shipyard from Grand China Logistics to GZE
17/07/2013	Futher updates on the Company
25/07/2013	Update on Bermuda Proceedings
14/08/2013	Update on Debt Restructuring Proposal and PRC Proceedings
20/08/2013	Futher update on Bermuda Proceedings
30/08/2013	Delay in publication of 2012 interim and annual results
09/09/2013	Prospective change of auditors
03/10/2013	Retirement of independent non-executive director, Chairman of remuneration committee, member of audit committee and member of nomination committee, non-compliance with INED requirements
04/10/2013	Appointment of auditors
22/10/2013	Futher updates on Bermuda proceedings
29/10/2013	Acquisition by GZE of rights and interests in the indebtedness of Titan Quanzhou Shipyard and related securities
11/11/2013	Memorandum of understanding in relation to the shipyard
21/11/2013	Demand letter issued by GZE to Titan Quanzhou Shipyard
25/11/2013	Further information on (1) Revised Debt Restructuring Proposal; (2) the Proposed Open Offer of Convertible Bonds (3) CB Subscriptions; and (4) possible application for Whitewash Waiver
26/11/2013	Listing Status (second stage of the delisting procedures)
18/12/2013	Further updates on Bermuda Proceedings
27/12/2013	Appointment of independent non-executive director Chairman of remuneration committee, member of audit committee and nomination committee
30/12/2013	Update on suspension of trading

LIST OF MAJOR ANNOUNCEMENTS

Year: 2014

Date	Particulars
14/01/2014	Update on the status of the proceedings in the PRC in relation to Titan Quanzhou Shipyard
24/01/2014	Postponement of board meeting and further delay in publication of the 2012 financial results and 2013 interim results
05/02/2014	Update on suspension of trading and further updates on Bermuda proceedings
14/02/2014	Announcement of unaudited interim results for the six months ended 30 June 2012
14/02/2014	Announcement of results for the year ended 31 December 2012
14/02/2014	Contracts expiry of Independent non-executive directors
18/02/2014	Further updates on Bermuda proceedings
21/02/2014	Change of principal share registrar and transfer agent in Bermuda
27/02/2014	Further delay in publication of the 2013 interim results and delay in publication of the 2013 annual results and expiry of contracts with independent non-executive directors
04/03/2014	Update on suspension of trading and further updates on Bermuda proceedings
06/03/2014	Update on the indebtedness of the Group
06/03/2014	Further updates on the Company
11/03/2014	Further updates on the Bermuda proceedings and loan agreement between the Company and Fame Dragon
13/03/2014	Change of address of Hong Kong branch share registrar and transfer office
13/03/2014	Appointment of an independent-executive director, the chairman of the audit committee and a member of the remuneration committee
24/03/2014	Appointment of an independent non-executive director, a member of each of the nomination committee and the audit committee; Appointment of the chairman of the nomination committee and resignation of a member of the nomination committee
28/03/2014	Profit warning and further delay in publication of 2013 interim results
01/04/2014	Update on suspension of trading
11/04/2014	Update on business development
14/04/2014	Further update on business development
22/04/2014	Further updates on the Bermuda proceedings
30/04/2014	Announcement of unaudited interim results for the six months ended 30 June 2013
30/04/2014	Announcement of results for the year ended 31 December 2013