Titan Petrochemicals Group Limited

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

2014 Annual Report

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Directors

Fan Qinghua
Hu Zhong Shan

Independent Non-executive Directors

Foo Meng Kee
Lau Fai Lawrence
Lau Yiu Kit

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Zhao Xu Guang, *Committee Chairman*
Foo Meng Kee
Lau Yiu Kit

COMPANY SECRETARY

Shirley Hui Wai Man

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

4902 Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China
China Construction Bank
Industrial and Commercial Bank of China
The Hongkong and Shanghai Banking Corporation Limited
Shanghai Pudong Development Bank
Bank of Quanzhou

AUDITORS

HLB Hodgson Impey Cheng Limited

SOLICITORS

DLA Piper Hong Kong
White & Case
Reed Smith Richards Butler
TSMP Law Corporation
Marshall Diel & Myers Limited
Oldham, Li & Nie Lawyers
Conyers, Dill & Pearman
Beijing B&D (Guangzhou) Law Firm

PRINCIPAL REGISTRARS

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
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

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CHAIRMAN'S STATEMENT

The twelve months ended 31 December 2014 witnessed significant breakthrough in the debt restructuring and business development of Titan Petrochemicals Group Limited (the "Company" or "Titan", together with its subsidiaries, collectively the "Group"). Thanks to the relentless striving of our management team, silver linings are finally seen on the clouds. In April 2014, the Group successfully formed a strategic alliance with Keppel Offshore & Marine Ltd ("Keppel O&M"), a wholly-owned subsidiary of Singapore-listed Keppel Corporation Limited, by entering into a 30-year shipyard management services agreement. Keppel O&M will provide Titan Quanzhou Shipyard Co., Ltd. (the "Shipyard") with comprehensive services in offshore and marine solutions including design, construction and management by way of an conditional agreement with FELS Offshore Pte Ltd, one of its subsidiaries. The alliance will leverage the Shipyard's unmatched geographical location and operational accreditations to capitalise on the favourable government policies and the extensive market in China. The co-operation with Keppel O&M will further enhance Titan's position to become a leading solutions provider in the offshore and marine industry in Asia, especially in the PRC. The agreement provides Keppel O&M an option to subscribe (via warrants or convertible bonds) up to 9.9% of the Company's equity and thus becoming a strategic shareholder of Titan. We believe this arrangement will enhance our strategic relationships and is a "win win" arrangement for both the Group and Keppel.

The Group's debt restructuring proposal and the application for resumption of trading have reached important milestones with the blessing and unreserved support from Guangdong Zhenrong Energy Co., Ltd. ("GZE"), the Company's major shareholder and white knight. Following the submission of the resumption proposal to The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 5 May 2014, the Company received a letter from the Stock Exchange on 1 December 2014, informing the Company that the Stock Exchange had decided to allow the Company to proceed with the resumption proposal subject to certain conditions. In addition, a majority in number of the scheme creditors had voted in favour at the scheme meetings on 22 October 2014. The proposed scheme of arrangement was sanctioned by the Bermuda Court on 5 November 2014 and became duly binding on all scheme creditors (as defined in the scheme). All the above accomplishments have nurtured favourable conditions for the future development of the Company. At the same time, our management team will work closely with Keppel O&M and local authorities in Quanzhou to ensure the successfully taking off of the Shipyard's operations upon completion of the debt restructuring.

PROSPECT

Our management team is determined to revitalize the Company's business with a view to deliver maximum value to our creditors, shareholders and employees taking as a whole. Looking forward, we will continue to work extensively with our financial and legal advisers to further speed up the debt restructuring process and the resumption of trading of the Company's shares at the Stock Exchange. Our efforts in reorganizing the Group's operations will lay a solid foundation for long-term business development, which we expect will produce and share fruitful results with our stakeholders in the not too distant future. Finally, I would like to express our sincere gratitude for the continuous support from our shareholders and the preserving efforts and dedications of all our colleagues and professional advisers.

Zhao Xu Guang
Chairman and Chief Executive

DIRECTORS' BIOGRAPHIES

MR. ZHAO XU GUANG

Chairman and Chief Executive

Mr. Zhao, aged 51, has been the Chairman and an Executive Director of the Company since 3 July 2012. He was appointed as the Chief Executive of the Company on 23 October 2014. He is responsible for the strategic development of business and operation of the Group's business as well as the organization structure and the team development. 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 中華人民共和國商務部 (the Ministry of Commerce of the People's Republic of China, formerly known as the Ministry of Foreign Economic Relations and Trade in 1982, which was renamed to the Ministry of Foreign Trade and Economic Co-operation in 1993 and was further renamed the Ministry of Commerce of the People's Republic of China in 2003). 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 more than 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

Executive Director

Mr. Tang, aged 40, has been appointed as an Executive Director of the Company since 26 March 2013. He was the Chief Executive of the Company from 26 March 2013 to 23 October 2014. He was a vice-president of Guangdong Zhenrong Energy Co., Ltd. and is currently a director of Fame Dragon International Investment Limited. 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 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. WONG SIU HUNG PATRICK

Executive Director

Mr. Wong, aged 59, 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 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, United Kingdom and holds a master degree in Applied Finance from Macquarie University, Australia.

MR. FU YONGYUAN

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 of 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 for the shipping management, graduated from Guangdong Province Economics Management Institute majoring in Industrial Economic Management.

DIRECTORS' BIOGRAPHIES

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 Guangdong Zhenrong Energy Co., Ltd, and a director of Fame Dragon International Investment Limited. From 1992 to 1995, he joined 珠海東大集團公司 (Zhuhui Dongda Group) in the capacity of manager of the finance department and 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 Guangdong Zhenrong Energy Co., Ltd, 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. HU ZHONG SHAN

Non-executive Director

Mr. Hu, aged 60, 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 and a member of the audit committee on 23 March 2015. 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. FOO MENG KEE

Independent Non-executive Director

Mr. Foo, aged 65, 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 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 Chairman of Audit Committee; and Jiutian Chemical Group Limited, being the Non-executive and Independent Director. Mr. Foo is currently an Independent Non-Executive Director of Courage Marine Group Limited, a company listed on the Hong Kong 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 43, 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 of Hong Kong Limited (the "Stock Exchange"). Mr. Lau is an executive director of China For You 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. LAU YIU KIT

Independent Non-executive Director

Mr. Lau, aged 55, was appointed as an Independent Non-executive director of the Company on 23 March 2015 and is a member of each of audit committee and nomination committee.

He is currently a practising certified public accountant in Hong Kong, a member of the Institute of Chartered Accountants in England and Wales and a member of the Association of Chartered Certified Accountants in Hong Kong and a member of the Taxation Institute of Hong Kong. Mr. Lau is an independent non-executive director of Artini China Co. Ltd. (Stock Code: 789), which is listed on the main board of the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 December 2014, the Group did not generate any revenue from continuing operations, compared to HK$644 million in the prior year. The profit before tax from continuing operations was HK$3,946 million, compared to the loss of HK$4,818 million in 2013. The profit for the year was HK$3,779 million, mainly comprised of the gain on deconsolidation of subsidiaries amounted to HK$4,135 million offset by the impairment losses on amounts due from deconsolidated subsidiaries amounted to HK$135 million.

In view of the Group's financial position, the Board proposed not to declare any dividend for the 2014 fiscal year.

BUSINESS REVIEW

The Group had 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. Owing to the uncertain market status, this business segment was suspended since 2013. The segment earnings before interest, tax, depreciation and amortisation ("EBITDA") amounting to HK$0.1 million was attributed to the exchange gain from assets and liabilities as compared to the segment loss before interest, tax, depreciation and amortisation ("LBITDA") of HK$198 million in the prior year.

Transportation

The Group offered transportation services for oil and petrochemical products to customers in the Southeast Asian regions. Owing to volatile oil price fluctuations and the uncertain market status, this business segment was suspended since 2012. The segment EBITDA amounting to HK$0.1 million was attributed to the exchange gain from assets and liabilities, as compared to the segment LBITDA of HK$5 million in the prior year.

Supply of Oil Products and Provision of Bunker Refueling Services

The Group engaged in the supply of oil products and provision of bunker refueling services. There was no revenue during the year under review, and the segment LBITDA was HK$1 million as compared to HK$9 million in the prior year.

DISCONTINUED OPERATION

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$2,123 million). This transaction, however, had not yet been completed as Grand China Logistics failed to comply with its payment obligations.

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

On 26 December 2013, 上海市第一中级人民法院 (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, 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 EBITDA was HK$23 million mainly due to the gain on loan rearrangement. The segment EBITDA was HK$455 million in 2013.

Deconsolidation of Subsidiaries

Titan Storage Limited ("TSL"), Estonia Capital Ltd., Titan Mars Limited, Sino Ocean Development Limited, Brookfield Pacific Ltd., Roswell Pacific Ltd., Titus International Ltd., Wynham Pacific Ltd., Wendelstar International Ltd. and Sewell Global Ltd. were placed into voluntary liquidation on 25 April 2014. Titan Leo Pte. Ltd., Neptune Associated Shipping Pte Ltd and Petro Titan Pte. Ltd. were placed into voluntary liquidation on 29 April 2014.

Accordingly, the Group had deconsolidated these subsidiaries, as a result of which the aggregate amounts due to the subsidiaries have been deconsolidated during the year ended 31 December 2014 and were considered no longer consolidated into the Group and thus, were reversed in the books of the Group, while the amounts due from the deconsolidated subsidiaries were considered to be highly unrecoverable and thus were fully impaired as these subsidiaries were put into liquidation during the year ended 31 December 2014.

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 highly unrecoverable and thus were fully impaired as these subsidiaries were put into the liquidation during the year ended 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES, CHARGES ON ASSETS AND GEARING

As at 31 December 2014, the Group's net liabilities amounted to HK$3,833 million, compared to net liabilities of HK$7,724 million as at 31 December 2013.

The Group financed its operations mainly through the loans from the immediate holding company, the ultimate holding company, the banks and other independent third parties in Hong Kong and Mainland China. As at 31 December 2014,

a) The Group had:

- Cash and bank balances of HK$1.4 million (2013: HK$20 million) of which HK$0.1 million (2013: HK$0.2 million) was from the discontinued operation in respect of shipbuilding segment; pledged deposits and restricted cash of HK$26.5 million (2013: HK$487 million) were from continuing operations. These balances were comprised of:

  – an equivalent of HK$26.7 million (2013: HK$41 million) denominated in US dollars

  – an equivalent of HK$0.2 million (2013: HK$0.1 million) denominated in Singapore dollars

  – an equivalent of HK$0.4 million (2013: HK$461 million) of which HK$0.1 million (2013: HK$0.2 million) was from the discontinued operation, denominated in RMB

  – HK$0.6 million (2013: HK$5 million) in Hong Kong dollars

- Interest-bearing bank and other loans of HK$272 million (2013: HK$706 million), of which HK$266 million (2013: HK$700 million) was from discontinued operation of shipbuilding segment. Floating rate loans denominated in US dollars amounted to HK$6 million (2013: HK$6 million). Group bank and other loans having maturities within one year amounted to HK$6 million (2013: HK$706 million) of which HK$Nil (2013: HK$700 million) related to discontinued operation in respect of shipbuilding segment

- Loans from the ultimate holding company of HK$2,048 million (2013: HK$1,924 million), of which having maturities within one year amounting to HK$Nil (2013: HK$1,924 million). Among such, HK$Nil (2013: HK$1,829 million) was from discontinued operation of shipbuilding segment. Maturities over 5 years amounted to HK$2,048 million (2013: HK$Nil), of which HK$1,946 million (2013: HK$Nil) was from discontinued operation of shipbuilding segment

- Loans from the immediate holding company of HK$52 million (2013: HK$3 million) having maturities over one year. However, as the Company has triggered the events of default, a loan of HK$3 million from the immediate holding company was then presented as current liabilities as at 31 December 2014

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$833 million (2013: HK$836 million)

- Machinery with an aggregate net carrying value of HK$119 million (2013: HK$147 million)

- Buildings with an aggregate net carrying value of HK$437 million (2013: HK$453 million)

- Prepaid land/seabed lease payments with an aggregate net carrying value of HK$306 million (2013: HK$338 million)

- Investment property with an aggregate net carrying value of HK$166 million (2013: HK$Nil)

- Bank balances and deposits of HK$461 million in 2013 but were released in 2014

- Corporate guarantees executed by the Company and its subsidiaries

- Corporate guarantees executed by the subsidiaries of the ultimate holding company

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

- Certain Company shares owned by related parties of the Company

c) The fixed rate guaranteed senior notes (the "Senior Notes Due 2012") of HK$882 million (2013: HK$962 million), the guaranteed senior convertible notes (the "Convertible Notes Due 2015") of HK$442 million (2013: HK$500 million) and the guaranteed senior payment-in-kind notes (the "PIK Notes Due 2015") of HK$89 million (2013: HK$100 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$3,035 million (2013: HK$3,626 million) and total assets of HK$3,204 million (2013: HK$3,655 million), of which HK$2,861 million (2013: HK$2,957 million) was from the discontinued operation of shipbuilding segment

- Total bank and other loans of HK$272 million (2013: HK$706 million) of which HK$266 million (2013: HK$700 million) was from the discontinued operation in respect of shipbuilding segment

- The Senior Notes Due 2012 of HK$882 million (2013: HK$962 million)

- The Convertible Notes Due 2015 of HK$442 million (2013: HK$500 million)

- The PIK Notes Due 2015 of HK$89 million (2013: HK$100 million)

- Convertible preferred shares issued by the Company (the "Titan preferred shares") with a liability portion of HK$421 million (2013: HK$406 million)

- Notes payable (the "K-Line Notes Due 2013") of HK$203 million (2013: HK$227 million)

- Loans from the ultimate holding company of HK$2,048 million (2013: HK$1,924 million), of which HK$1,946 million (2013: HK$1,829 million) was from the discontinued operation of shipbuilding segment

- Loans from the immediate holding company of HK$52 million (2013: HK$3 million)

MANAGEMENT DISCUSSION AND ANALYSIS

e) The Group's current ratio was 0.44 (2013: 0.32). The gearing of the Group, calculated as the total bank and other 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 loans from the immediate holding company to total assets, increased to 1.24 (2013: 1.21).

f) The Group operated in Mainland China, Hong Kong and Singapore and primarily used Hong Kong dollars in Hong Kong, Renminbi for the business in Mainland China and US dollars and Singapore dollars for the businesses in Singapore 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 2014, the Group had 185 employees (2013: 188), of which 157 employees (2013: 163) worked in Mainland China, and 26 employees and 2 employees (2013: 23 and 2) were based in Hong Kong and Singapore, respectively. Included in those working in Mainland China, 157 employees (2013: 158) 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 ("JPLs") 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 TSL, a subsidiary of the Company (which was put into liquidation in April 2014), 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 JPLs to the Company with specified powers.

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.

At the hearing held on 11 July 2014 (Bermuda time), the Bermuda Court ordered a further adjournment of the winding up petition against the Company by Camden to 8 August 2014 (Bermuda time). The Bermuda Court further ordered that the costs and fees of the JPLs and their advisors were to be paid out of the liquidation account.

At the hearing held on 27 March 2015 (Bermuda time), the Bermuda Court ordered a further adjournment of the winding up petition against the Company by Camden to 10 April 2015 (Bermuda time). The details are disclosed in the note 44 to the consolidated financial statements.

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 Titan Group Investment Limited ("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, the liquidation procedure of TGIL has commenced and the liquidation is not completed.

The details are disclosed in the note 44 to the consolidated financial statements.

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, among other remedies, specific performance of the IRA, injunctive relief, declaratory relief, an indemnity, damages, interest and costs.

The Hong Kong Court subsequently, among 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 has obtained the permission from the Bermuda Court to enter into a deed of settlement with SSL and other relevant parties relating to the Hong Kong proceedings on 12 December 2014.

The Hong Kong Court fixed a second case management conference for hearing on 21 November 2014 and further adjourned to 13 March 2015. On 12 March 2015, the Hong Kong Court ordered (by consent) that (i) the second case management conference due to be heard on 13 March 2015 be vacated and adjourned to 7 July 2015; and (ii) all further proceedings be stayed until 30 April 2015 pending finalisation of the global settlement among the parties.

The details are disclosed in the note 44 to the consolidated financial statements.

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, among 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, among other remedies, specific performance by Grand China Logistics of the GCL Sale and Purchase Agreement.

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

* for illustration purpose only

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.

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 remains subject to, among other things, the Indebtedness owed by Titan Quanzhou Shipyard to the Fuzhou branch of Shanghai Pudong Development Bank Co., Ltd. and the Securities granted in respect of the Indebtedness. Titan Quanzhou Shipyard had been in default on its payment obligations under the Indebtedness and the Securities are liable to be enforced by GZE. Further details in respect of the above are included in the Company's announcement dated 14 January 2014.

The GCL Sale and Purchase Agreement will be terminated subject to certain terms and conditions. Further details of the termination will be disclosed in a separate announcement to be released by the Company.

The details are disclosed in the note 44 to the consolidated financial statements.

DEBT RESTRUCTURING

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

On 22 October 2014, separate meetings of the creditors of Existing Notes and of Non-Note Creditors (as defined in the Creditors' Scheme of arrangement (the "Creditors' Scheme")) (the "Scheme Meetings") were held on the same date to consider and approve the Creditors' Scheme. At both Scheme Meetings, a majority in number of the Scheme Creditors present and voting (in person or by proxy), representing not less than three-fourths in value of the accepted claims of Scheme Creditors present and voting (either in person or by proxy), have voted in favour of the Creditors' Scheme. Accordingly, the Creditors' Scheme was duly approved at the Scheme Meetings. The Creditors' Scheme was sanctioned by the Bermuda Court on 5 November 2014 and became effective and binding on all Scheme Creditors upon a copy of the Order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Bermuda Companies Act 1981 (the "Act") on the same date.

On 6 March 2015, the Bermuda Count ordered to extend the long-stop date of the Creditors' Scheme of the Company to 31 July 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

SUSPENSION OF TRADING AND LISTING STATUS

As disclosed in the announcement of the Company dated 26 November 2013, the Listing Division of the Stock Exchange issued a letter on 22 November 2013 to inform the Company that they have decided to place the Company in the second stage of delisting under Practice Note 17 to the Listing Rules and required the Company to submit a viable resumption proposal at least 10 business days before the second stage of delisting expires (i.e. 5 May 2014).

The Company has submitted a resumption proposal (the "Resumption Proposal") on 5 May 2014 (and the updated versions of the Resumption Proposal in response to the comments from the Stock Exchange have been submitted on 10 June 2014, 22 August 2014, 16 September 2014, 10 October 2014 and 25 November 2014 respectively). As disclosed in the Company's announcement dated 2 December 2014, the Board announced that as informed by a letter dated 1 December 2014, the Stock Exchange has decided to allow the Company to proceed with the Resumption Proposal subject to satisfying the following conditions by 31 May 2015:

1) completion of the transactions under the Resumption Proposal;

2) completion of the internal control review indicating no material deficiency;

3) withdrawal or dismissal of the winding up petition and discharge of the JPLs;

4) inclusion in a circular to the Shareholders:

    a) a profit forecast for the two years ending 31 December 2015 and 2016 together with reports from the auditors and the financial adviser under Rules 14.62(2) and (3) of the Listing Rules;

    b) a pro forma balance sheet upon completion of the Resumption Proposal; and

    c) a statement from the Directors (including the proposed directors) confirming working capital sufficiency for at least 12 months from trading resumption and a comfort letter from the auditors on the Directors' statement.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the year ended 31 December 2014 except for the deviation set out below.

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. As announced on 22 October 2014, Mr. Zhao Xu Guang, the Chairman of the Board, has been appointed as Chief Executive with effect from 23 October 2014. Mr. Zhao is both the Chairman and Chief Executive of the Company. The Board considers that this dual role is essential as he can manage the strategic development of business and operation of the Group whilst at this time re-build and develop the Group's business as well as the organization structure and the team development.

THE BOARD

Composition

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

As at 31 December 2014 and up to the date of this report, 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.

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 and Chief Executive)*
Mr. Tang Chao Zhang
Mr. Wong Siu Hung Patrick
Mr. Fu Yong Yuan

Non-executive directors

Mr. Fan Qinghua
Mr. Hu Zhong Shan

Independent non-executive directors

Mr. Foo Meng Kee
Mr. Lau Fai Lawrence (appointed on 13 March 2014)
Mr. Lau Yiu Kit (appointed on 23 March 2015)
Mr. Cheung Hok Fung Alexander (appointed on 24 March 2014 and resigned on 21 March 2015)
Mr. John William Crawford (contract expired on 27 February 2014)
Mr. Abraham Shek Lai Him (contract expired on 27 February 2014)

CORPORATE GOVERNANCE REPORT

An updated list of directors identifying their roles and functions is available on the website of the Company (www.petrotitan.com). Members of the Board, including the names of all the Independent Non-executive Directors, are expressly identified in all corporate communications which disclose the names of the directors of the Company.

During the year under review, the Chairman of the Board held meetings with the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present.

On 27 February 2014, the contracts of Mr. John William Crawford and Mr. Abraham Shek Lai Him expired and they did not seek renewal of their respective contracts.

Upon their ceasing to be the Independent Non-executive Directors,

1. the number of Independent Non-executive Directors fell below the minimum number as required under Rule 3.10(1) of the Listing Rules;
2. the Company failed to have at least one of the Independent Non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules;
3. the number of independent non-executive Directors was less than one-third of the Board as required under Rule 3.10A of the Listing Rules; and
4. the number of members of the audit committee of the Company fell below the minimum number as required under Rule 3.21 of the Listing Rules.

Pursuant to Rule 3.11 of the Listing Rules, the Company was required to identify suitable candidates to fill the vacancy within three months from the date of the expiry of the contracts of Mr. Crawford and Mr. Shek.

The Company had appointed Mr. Lau Fai Lawrence as an Independent Non-executive Director, the chairman of the audit committee and a member of the remuneration committee with effect from 13 March 2014. With this appointment, the Company has complied with the requirement to have at least one of the independent Non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Company further appointed Mr. Cheung Hok Fung Alexander as an Independent Non-executive Director, a member of each of the nomination committee and the audit committee with effect from 24 March 2014. Following the appointment of Mr. Cheung, the Company had complied with the requirements under Rule 3.10(1), Rule 3.10A and Rule 3.21 of the Listing Rules.

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 the Board considers each of them to be independent. As at 31 December 2014 and up to the date of this report, the Company has 3 Independent Non-executive Directors representing one-third of the total number of the Board members and is in compliance with the requirements under Rule 3.10(1) and 3.10A of the Listing Rules. Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit, the chairman and a member of the audit committee respectively, has the appropriate accounting and financial management expertise required under Rule 3.10(2) of the Listing Rules.

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

Any new director to be appointed by the Company shall be provided with information on duties and obligations of director and a briefing and training session will be arranged to be conducted by the legal adviser to ensure the director is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements.

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 and 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 actively encourages directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board consensus. He also 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.

As announced on 22 October 2014, Mr. Zhao Xu Guang, the Chairman of the Board, has been appointed as Chief Executive with effect from 23 October 2014. With effect from 23 October 2014, Mr. Zhao is both the Chairman and the Chief Executive of the Company. The Board considers that this dual role is essential as he can manage the strategic development of business and operation of the Group whilst at this time re-build and develop the Group's business as well as the organization structure and the team development.

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.

CORPORATE GOVERNANCE REPORT

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 AND BOARD PROCEDURAL MATTERS

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 at the Board meetings. Notice of at least 14 days is served for regular Board meetings. Each director may include any item in the agenda. The agenda, accompanied by meeting papers with sufficient and reliable information, are sent to each director not less than 3 days before the date of Board meeting to enable the Directors to make informed decision on the matters to be discussed except where a Board meeting is convened on a very urgent basis to consider any urgent ad hoc matters. 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 2014, 12 full Board meetings, 8 audit committee meetings, 1 remuneration committee meeting, 2 nomination committee meetings and 1 general meeting 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 & Chief Executive)*	9/12	n/a	n/a	2/2	1/1
Mr. Tang Chao Zhang	12/12	n/a	n/a	n/a	1/1
Mr. Wong Siu Hung Patrick (Note 1)	12/12	n/a	0/0	n/a	1/1
Mr. Fu Yong Yuan	12/12	n/a	n/a	n/a	1/1
Non-executive directors					
Mr. Fan Qinghua	9/12	n/a	n/a	n/a	1/1
Mr. Hu Zhong Shan	8/12	n/a	1/1	n/a	1/1
Mr. Foo Meng Kee	12/12	8/8	1/1	2/2	0/1
Mr. Lau Fai Lawrence (Note 2)	12/12	4/5	1/1	n/a	1/1
Mr. Cheung Hok Fung Alexander (Note 3)	12/12	4/4	n/a	2/2	1/1
Mr. John William Crawford (Note 4)	1/1	3/3	n/a	n/a	0/0
Mr. Abraham Shek Lai Him (Note 4)	1/1	3/3	0/0	0/0	0/0

Note 1 Mr. Wong Siu Hung Patrick, an executive director, resigned as a member of the nomination committee of the Company on 24 March 2014.

Note 2 Mr. Lau Fai Lawrence was appointed as an independent non-executive director on 13 March 2014.

Note 3 Mr. Cheung Hok Fung Alexander was appointed as an independent non-executive director on 24 March 2014 and resigned on 21 March 2015.

Note 4 The contracts of Mr. John William Crawford and Mr. Abraham Shek Lai Him were expired on 27 February 2014 and they were ceased to be independent non-executive directors on 27 February 2014.

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. During the year, the Company has arranged 5 sessions with a total of 14 hours of directors training in July 2014 which was conducted by The Hong Kong Institute of Directors. Topics included (1) boardroom strategies in risk management and internal control; (2) SFC guidelines on disclosure of Inside Information; (3) role of company director I; (4) role of company director II; and (5) finance for directors. In addition, the Directors have attended external courses, conferences or luncheons organized by various organizations.

CORPORATE GOVERNANCE REPORT

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. A summary of training received by the Directors for the year ended 31 December 2014 according to the records provided by the Directors is as follows:–

Name of Directors	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 & Chief Executive)*	✓	✓
Mr. Tang Chao Zhang	✓	✓
Mr. Wong Siu Hung Patrick	✓	✓
Mr. Fu Yong Yuan	✓	✓
Non-executive Directors		
Mr. Fan Qinghua	✘	✓
Mr. Hu Zhong Shan	✓	✓
Independent Non-executive Directors		
Mr. Foo Meng Kee	✓	✓
Mr. Lau Fai Lawrence	✓	✓
Mr. Cheung Hok Fung Alexander	✓	✓
Mr. John William Crawford	✓	✓
Mr. Abraham Shek Lai Him	✓	✓

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for determining the policy for the corporate governance of the Company and the Chairman takes primary responsibility for ensuing that good corporate governance practices and procedures are established. The Board performs 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.

As at 31 December 2014 and up to the date of this report, the Nomination Committee comprised of an Executive Director and two Independent Non-executive Directors, namely Mr. Zhao Xu Guang (Chairman of the Board and Chairman of the Committee, appointed on 24 March 2014), Mr. Foo Meng Kee and Mr. Lau Yiu Kit (appointed on 23 March 2015). Mr. Cheung Hok Fung Alexander (appointed on 24 March 2014) resigned as an independent non-executive director of the Company on 21 March 2015 and ceased to be a member of nomination committee with effect from 21 March 2015. Mr. Abraham Shek Lai Him ceased to act as the Chairman of the Nomination Committee upon expiry of his contract on 27 February 2014 and Mr. Wong Siu Hung Patrick ceased to act as a member of the Nomination Committee with effect from 24 March 2014.

The Committee has specific written terms of reference. Full text of the terms of reference of the Nomination Committee is available on the websites of the Company and the Stock Exchange. 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 2014, two Nomination Committee meetings were held (i) to review the structure, size and composition of the Board; (ii) to assess the independence of Independent Non-executive Directors; (iii) to review the contribution required from a director to perform his responsibilities; (iv) to review the training and continuous professional development of directors; (v) to recommend to the Board for the renewal of the contract of Non-executive Director; and (vi) to recommend to the Board for approval of the change of the Chief Executive. The individual attendance for the Nomination Committee meeting had been disclosed earlier in this report.

AUDIT COMMITTEE

As at 31 December 2014 and up to the date of this report, the Audit Committee comprised of three independent non-executive directors and one non-executive director, namely Mr. Lau Fai Lawrence (Chairman of the Committee, appointed on 13 March 2014), Mr. Foo Meng Kee, Mr. Lau Yiu Kit (appointed on 23 March 2015) and Mr. Hu Zhong Shan (appointed on 23 March 2015). Mr. Cheung Hok Fung Alexander (appointed on 24 March 2014) resigned as an independent non-executive director of the Company with effect from 21 March 2015 and ceased to be a member of audit committee with effect from 21 March 2015. 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 on 27 February 2014.

CORPORATE GOVERNANCE REPORT

The Committee has specific written terms of reference. Full text of the terms of reference of the Audit Committee is available on the websites of the Company and the Stock Exchange. Its duties are summarized below:

- 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 2014, eight Audit Committee meetings were held and the individual attendance had been disclosed earlier in this report. The Audit Committee met with the external auditors and management to discuss and review, among others, (i) the scope of work, timetable and auditors' fee; (ii) the auditors' disclaimer of opinion set out in the financial statements for the years ended 31 December 2012 and 31 December 2013 respectively; (iii) interim results for the six months ended 30 June 2013 and 30 June 2014 respectively; (iv) the adequacy and quality of accounting and financial reporting staff; and (v) the internal control system of the Group as well as the status of and future needs/plans for the Internal Audit Department.

DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing financial statements. 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 consolidated 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.

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 34 to 42 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 2015 annual general meeting of the Company.

During the year ended 31 December 2014, the audit fees paid/payable to HLB amounted to HK$1,900,000. The non-audit fees paid/payable to HLB was comprised of fees for reviewing resumption circular of HK$1,200,000, tax services fees of HK$7,000 and other fees of HK$50,000.

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

No annual internal control review had been conducted in 2013 since the resignation of the Group's internal auditor on 24 December 2012. The Company have recruited an internal audit manager in July 2014 to perform on the internal audit matters and to present the findings and responses from management to the Audit Committee. Besides, the Company has also engaged an independent adviser to assist the Group to perform the review of the effectiveness of the internal control systems. A report on the effectiveness of the internal control systems will be prepared and presented to the audit committee for review.

The internal audit manager had prepared and presented to the Audit Committee an annual audit plan which was based on a risk assessment process and assisted in determining business risks and establishing audit frequencies.

REMUNERATION COMMITTEE

As at 31 December 2014 and up to the date of this report, the Remuneration Committee comprised of three independent non-executive directors, namely Mr. Foo Meng Kee (Chairman of the Committee), Mr. Lau Fai Lawrence (appointed on 13 March 2014) and Mr. Hu Zhong Shan. Mr. Abraham Shek Lai Him ceased to act as a member of the Remuneration Committee upon the expiry of his contract on 27 February 2014.

The Committee has specific written terms of reference. Full text of the terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange. 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 remuneration 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 2014, a Remuneration Committee meeting was held and the individual attendance had been disclosed earlier in this report. The Remuneration Committee met with the Human Resources Manager 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 executive directors and the directors' fees to Non-executive directors and Independent Non-executive Directors.

Details of the emoluments of each director of the Company for the year ended 31 December 2014 are set out on page 95 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, 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 2014.

The Board has also adopted the Model Code as the written guidelines for regulating securities transactions by senior management and all employees of the Group.

COMPANY SECRETARY

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

SHAREHOLDERS' RIGHTS, INVESTOR & SHAREHOLDER RELATIONS

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

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

CORPORATE GOVERNANCE REPORT

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 is 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 2014.

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 and BVI subsidiaries as set out in note 7 to the consolidated financial statements. There were 7 Singapore companies completed liquidation process and the final creditors' meetings were held by the end of December 2014. There were 13 Singapore companies and 10 BVI companies were still in the process of liquidation.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 43 to 44.

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

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 160. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated 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 38, 39 and 33 to the consolidated 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 40 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2014, 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 2014 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, there were no sales nor purchases in the Group.

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 of 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
Mr. Wong Siu Hung Patrick
Mr. Fu Yong Yuan

Non-executive directors
Mr. Fan Qinghua
Mr. Hu Zhong Shan

Independent non-executive directors
Mr. Foo Meng Kee
Mr. Lau Fai Lawrence (appointed on 13 March 2014)
Mr. Lau Yiu Kit (appointed on 23 March 2015)
Mr. Cheung Hok Fung Alexander (appointed on 24 March 2014 and resigned on 21 March 2015)
Mr. John William Crawford (contract expired on 27 February 2014)
Mr. Abraham Shek Lai Him (contract expired on 27 February 2014)

In accordance with the bye-law 86(2) of the Company's bye-laws, Mr. Lau Yiu Kit will retire at the forthcoming annual general meeting and being eligible for re-election.

In accordance with the bye-law 87(1) of the Company's bye-laws, Mr. Fu Yong Yuan, Mr. Fan Qinghua and Mr. Hu Zhong Shan will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. The non-executive directors (including independent non-executive directors) are appointed for periods of two years and are subject to retirement by rotation and re-election in accordance with the Company's bye-laws.

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 3 to 5 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.

REPORT OF THE DIRECTORS

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 45 to the consolidated 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 TRANSACTIONS

The Group entered into certain agreements with GZE and other connected persons of the Company during the year ended 31 December 2014 which constitute connected transactions of the Company. Details of these connected transactions will be disclosed in a separate announcement to be released by the Company. There was no continuing connected transaction in 2014.

Significant related party transactions entered by the Group during the year ended 31 December 2014 are disclosed in note 45 to the consolidated financial statements.

MANAGEMENT CONTRACTS

On 9 April 2014, FELS Offshore Pte Ltd ("FELS") entered into a management services agreement with Titan Quanzhou Shipyard Co., Ltd. ("TQS") and the Company, pursuant to which FELS has conditionally agreed to provide management services for the operations of the operations of the shipyard in Quanzhou, the PRC owned by TQS for a term of 30 years from the date on which the conditions precedent are satisfied on or before 31 December 2014. A supplemental agreement has been entered into on 30 December 2014 to extend the long stop date from 31 December 2014 to 31 May 2015. Details of the management services agreement are set out in the announcements dated 11 April 2014 and 5 January 2015.

Save as disclosed above, 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 2014, 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. Wong Siu Hung Patrick	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 2014.

Save as disclosed above, at 31 December 2014, 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 39 to the consolidated 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. John William Crawford ceased to act as an independent non-executive director of the Company as well as the chairman of the audit committee of the Company upon expiry of his contract on 27 February 2014.

Mr. Abraham Shek Lai Him ceased to act as an independent non-executive director of the Company as well 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. He resigned as an independent non-executive director of the Company and a member of each of nomination committee and audit committee with effect from 21 March 2015.

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

Mr. Zhao Xu Guang was appointed as the chairman of the nomination committee of the Company with effect from 24 March 2014. He was appointed as the Chief Executive of the Company with effect from 23 October 2014.

Mr. Tang Chao Zhang ceased to be the Chief Executive of the Company with effect from 23 October 2014.

Mr. Foo Meng Kee was appointed as an independent non-executive director of Courage Marine Group Limited, a company listed on the main board of the Stock Exchange and Singapore Exchange Securities Trading Limited.

Mr. Lau Yiu Kit has been appointed as an independent non-executive director, a member of each of the audit committee and nomination committee of the Company with effect from 23 March 2015.

REPORT OF THE DIRECTORS

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

At 31 December 2014, so far as is known to the directors and the chief executive of the Company, the following persons had interests or short positions in the shares and underlying shares of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity	Number of shares and underlying shares	Approximate % of shareholding (Note 5)
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
Grand China Logistics Holding (Group) Company Limited	Beneficial owner	500,000,000 (Note 3)	6.39
Haikou Meilan International Airport Co., Ltd.	Interest of controlled corporations	500,000,000 (Note 3)	6.39
Hainan Development Holdings Co., Ltd.	Interest of controlled corporations	500,000,000 (Note 3)	6.39
He Xiaoqun	Interest of controlled corporations	45,967,286,141 (Note 4)	587.77
Liang Wei	Interest of controlled corporations	45,967,286,141 (Note 4)	587.77
Xia Yingyan	Interest of controlled corporations	45,967,286,141 (Note 4)	587.77

REPORT OF THE DIRECTORS

Name	Capacity	Number of shares and underlying shares	Approximate % of shareholding (Note 5)
Hainan Li Jin Investment Company Limited	Interest of controlled corporations	45,967,286,141 (Note 4)	587.77
Zhuhai Zhenrong Company	Interest of controlled corporations	45,967,286,141 (Note 4)	587.77
Guangdong Zhenrong Energy Company Limited ("GZE")	Interest of controlled corporations/ Beneficial owner	3,556,353,661 42,410,932,480 (Note 4)	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 Securities and Futures Ordinance in Hong Kong (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 2014.

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 23 December 2010, Grand China Logistics Holding (Group) Company Limited ("Grand China Logistics") was interested in 500,000,000 shares of the Company.

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

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

Grand China Logistics, Haikou Meilan and Hainan Development were deemed to be ceased to have interests in the ordinary shares of the Company. Due to the failure of Grand China Logistics to make stage payments when they fell due under a sale and purchase agreement dated 11 December 2010, the condition was not satisfied on or before the long stop date in December 2011 and the subscription agreement dated 11 December 2010 has lapsed.

REPORT OF THE DIRECTORS

Note 4: Zhuhai Zhenrong Company (a PRC state-owned enterprise) and Hainan Li Jin Investment Company Limited ("Hainan Li Jin") were interested in 44.3% and 35% respectively in the share capital of 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.

Fame Dragon is wholly-owned by Guangdong Zhenrong (Hong Kong) Company Limited which in turn is wholly-owned by GZE. Fame Dragon agreed under four sale and purchase agreements signed with TSICL, Vision Jade, Great Logistics and Titan Oil (collectively, the" Vendors") to acquire in aggregate 3,556,353,661 ordinary shares and the Vendors had given irrevocable proxies to Fame Dragon so that the voting rights of such shares had been transferred to Fame Dragon on 30 August 2012.

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

At the special general meeting held on 28 February 2013, all the ordinary resolutions and special resolutions to approve, inter alias, the subscription agreement were not passed. As such, GZE were deemed to be ceased to have interests in 3,461,093,248 Preferred Shares A and 780,000,000 Preferred Shares B.

Note 5: Based on 7,820,554,682 ordinary shares of the Company issued as at 31 December 2014.

Save as disclosed above, at 31 December 2014, 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 15 to 25 of the Annual Report.

CHARITABLE CONTRIBUTIONS

During the year, no charitable contributions were made.

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 2014.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 51 to the consolidated financial statements.

REPORT OF THE DIRECTORS

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 and one non-executive director.

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, Mr. Lau Yiu Kit (appointed on 23 March 2015) and Mr. Hu Zhong Shan (appointed on 23 March 2015). 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. Mr. Cheung Hok Fung Alexander (appointed on 24 March 2014) resigned as an independent non-executive director on 21 March 2015 and ceased to be a member of audit committee on 21 March 2015.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2014 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 and Chief Executive

Hong Kong
31 March 2015

INDEPENDENT AUDITORS' REPORT

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

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

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

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We were engaged to audit the consolidated financial statements of Titan Petrochemicals Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 159, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 significant of the matters described in the basis for disclaimer of opinion paragraph, we have not been 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

During the year ended 31 December 2014, several subsidiaries operated in Singapore were placed into liquidation and the directors of the Group consider that the Group has lost its control over these subsidiaries. The deconsolidation of these subsidiaries operated in Singapore had resulted a gain on deconsolidation of subsidiaries of approximately HK$4,134,534,000. As disclosed in note 2.1 to the consolidated financial statements, partial books and records of the subsidiaries operated in Singapore 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 any available records have been under the control of liquidators. Consequently, we were unable to obtain sufficient appropriate audit evidence in respect of the balances as set out below which has been included in the gain on deconsolidation of subsidiaries for the year ended 31 December 2014:

	HK$'000
Prepayments, deposits and other receivables	11,679
Amounts due from deconsolidated fellow subsidiaries	2,087,170
Amounts due to the intermediate holding company	(134,987)
Amounts due to fellow subsidiaries	(476)
Amounts due to deconsolidated fellow subsidiaries	(5,918,946)
Accounts payable	(133,710)
Other payables and accruals	(46,710)
Net liabilities of deconsolidated subsidiaries attributable to the Group	(4,135,980)
Release of exchange fluctuation reserve	1,446
Gain on deconsolidation of subsidiaries	(4,134,534)

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 subsidiaries operated in Singapore. 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 2014, the gain on deconsolidation of subsidiaries and the net profit and cash flows of the Group for the year ended 31 December 2014 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 subsidiaries operated in Singapore.

BASIS FOR DISCLAIMER OF OPINION (Continued)

b) Scope limitation – Impairment of other receivables

Included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014 was impairment of other receivables of approximately HK$1,214,000 (the "Impairment of Other Receivables"). We were unable to obtain sufficient appropriate audit evidence regarding the Impairment of Other Receivables because (i) there was inadequate documentary evidence available for us to verify the identity and nature of the other receivables; (ii) we were unable to carry out any effective confirmation procedures in relation to the other receivables for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the other receivables were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Impairment of Other Receivables were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balance of the impairment of other receivables, the balances of the Group's other receivables, the Group's net liabilities as at 31 December 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, 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 – Property, plant and equipment and prepaid land/seabed lease payments of a disposal group classified as held for sale*

As disclosed in note 6 to the financial statements and included in the consolidated statement of financial position as at 31 December 2014 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 Land/Seabed Lease Payments") with net carrying amounts of approximately HK$2,488,687,000 and HK$306,345,000 respectively and related deferred tax liabilities of approximately HK$59,203,000. The directors are of the opinion that the carrying amounts of the Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments included in the consolidated statement of financial position were lower than their fair values less cost to sell amounts and therefore, no impairment on the Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments was made during the year ended 31 December 2014. 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 Land/Seabed 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 Land/Seabed Lease Payments as at the end of the reporting period and therefore, as to whether the carrying amounts on the Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments as at 31 December 2014 are fairly stated. Any adjustment to the carrying amounts on the Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments as at 31 December 2014 would have a consequential impact on the loss from discontinued operation for the year ended 31 December 2014, 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 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, 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 6 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2014 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$21,437,000 (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 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, 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 6 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2014 were accounts and bills payables of the QZ Shipyard of approximately HK$93,861,000 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 Payables 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 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, and the related disclosures thereof in the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

BASIS FOR DISCLAIMER OF OPINION (Continued)

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

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

As disclosed in note 6 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2014 were other payables and accruals of the QZ Shipyard of approximately HK$416,533,000 (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 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, 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 2014 was amounts due to a deconsolidated jointly-controlled entity of approximately HK$174,665,000 (the "Amounts with the Deconsolidated Jointly-Controlled Entity"). We were unable to obtain sufficient appropriate audit evidence regarding the Amounts with the Deconsolidated Jointly-Controlled Entity 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; (ii) we were unable to carry out any effective confirmation procedures in relation to the Amounts with the Deconsolidated Jointly-Controlled Entity 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 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 2014, the Group's net liabilities at as 31 December 2014, and consequently net profit and cash flows of the Group for the year ended 31 December 2014, 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 2014 was amounts due to deconsolidated subsidiaries of approximately HK$390,121,000 (the "Amounts due to Deconsolidated Subsidiaries"). Included in the consolidated statement of profit or loss for the year ended 31 December 2014 was impairment of amounts due from deconsolidated subsidiaries of approximately HK$135,461,000 (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 2014, the Group's net liabilities as at 31 December 2014, and consequently net profit and cash flows of the Group for the year ended 31 December 2014 and the related disclosures thereof in the consolidated financial statements.

f) Scope limitation – Financial guarantee contracts and commitments

Included in the balances of other payables and accruals in the consolidated statement of financial position as at 31 December 2014 was financial guarantee liabilities of approximately HK$113,155,000 and as disclosed in notes 43 and 42 to the consolidated financial statements were financial guarantee contracts issued and commitments committed by the Group. We were 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 2013 and 2014; (ii) we were unable to satisfy ourselves the measurements of the financial guarantee contracts and commitments for the years ended 31 December 2013 and 2014 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 2013 and 2014 respectively, the Company's interests in subsidiaries and consequently net profit and cash flows of the Group and the Company for the years ended 31 December 2013 and 2014, 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 2015 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 2015 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 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, 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 2014 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 2014.

Any adjustments that might have been found necessary may have an effect on the Group's net liabilities as at 31 December 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, 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 2013. In addition, the auditors' report dated 30 April 2014 in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2013 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 2013 and 2014 and its results for the years ended 31 December 2013 and 2014, 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 2014 and 2013 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, as at 31 December 2014, the Group's current liabilities exceeded its current assets by approximately HK$3,816,444,000 and its total liabilities exceeded its total assets by approximately HK$3,832,634,000.

As disclosed in notes 26, 30, 31, 32, 33 and 34 to the consolidated financial statements, the Group was in default on repayments of interest-bearing bank and other loans of approximately HK$5,850,000, fixed rate guaranteed senior notes of approximately HK$882,329,000, guaranteed senior convertible notes of approximately HK$441,753,000, guaranteed senior payment-in-kind notes of approximately HK$88,657,000, convertible preferred shares of approximately HK$420,717,000 and notes payable of approximately HK$202,896,000.

As disclosed in note 44 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. The proceedings is still ongoing and 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), 17 April 2014 (Bermuda time), 16 May 2014 (Bermuda time), 11 July 2014 (Bermuda time), 8 August 2014 (Bermuda time), 3 October 2014 (Bermuda time), 31 October 2014 (Bermuda time), 21 November 2014 (Bermuda time), 16 January 2015 (Bermuda time), 13 March 2015 (Bermuda time) and 27 March 2015 (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 2014 and the profit 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 2014 and of the Group's profit 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 SECTION 80(1) OF SCHEDULE 11 TO THE HONG KONG COMPANIES ORDINANCE (CAP. 622), WITH REFERENCE TO SECTIONS 141(4) AND 141(6) OF THE PREDECESSOR HONG KONG COMPANIES ORDINANCE (CAP.32)

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the items stated under basis for disclaimer of opinion for the year ended 31 December 2014 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

Wong Sze Wai, Basilia
Practising Certificate Number: P05806

Hong Kong, 31 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CONTINUING OPERATIONS			
Revenue	4	–	644,325
Cost of sales		–	(673,394)
Gross loss		–	(29,069)
Other revenue		**178,353**	5,807
Gain on deconsolidation of subsidiaries	7(a)	**4,134,534**	1,236,193
General and administrative expenses		**(208,607)**	(317,279)
Finance costs	8	**(22,585)**	(153,318)
Impairment losses on amounts due from deconsolidated subsidiaries	7(d)	**(135,461)**	(5,384,435)
Loss arising on change in fair value of investment property	16	**(510)**	–
Loss on derecognition of derivative financial instruments not qualifying as hedges		–	(176,049)
Profit/(loss) before tax from continuing operations	9	**3,945,724**	(4,818,150)
Income tax credit	12	**113**	440
Profit/(loss) for the year from continuing operations		**3,945,837**	(4,817,710)
DISCONTINUED OPERATION			
(Loss)/profit for the year from discontinued operation	6(b)	**(166,463)**	247,478
PROFIT/(LOSS) FOR THE YEAR		**3,779,374**	(4,570,232)
Profit/(loss) for the year attributable to:			
Owners of the Company		**3,779,374**	(4,570,232)
Non-controlling interests		–	–
		3,779,374	(4,570,232)
BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	14		
From continuing and discontinued operations			
Basic per share		**HK48.33 cents**	(HK58.44 cents)
Diluted per share		**HK45.30 cents**	(HK58.44 cents)
From continuing operations			
Basic per share		**HK50.45 cents**	(HK61.60 cents)
Diluted per share		**HK47.29 cents**	(HK61.60 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 2014

	Notes	2014 HK$'000	2013 HK$'000
Profit/(loss) for the year		**3,779,374**	(4,570,232)
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Revaluation gain of prepaid land lease payment upon reclassification to investment property	16	**142,324**	–
Income tax arising from revaluation gain thereof		**(34,219)**	–
		108,105	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**2,767**	(13,108)
		2,767	(13,108)
Other comprehensive income/(loss) for the year, net of tax		**110,872**	(13,108)
Total comprehensive income/(loss) for the year		**3,890,246**	(4,583,340)
Total comprehensive income/(loss) attributable to:			
Owners of the Company	40(a)	**3,890,246**	(4,583,340)
Non-controlling interests		**–**	–
		3,890,246	(4,583,340)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**3,138**	4,787
Investment property	16	**166,223**	–
Prepaid land/seabed lease payments	17	**–**	24,558
Licenses	18	**–**	–
Total non-current assets		**169,361**	29,345
CURRENT ASSETS			
Accounts receivable	22	**–**	181
Prepayments, deposits and other receivables	23	**145,555**	161,729
Pledged deposits and restricted cash	24	**26,520**	487,059
Cash and cash equivalents	24	**1,315**	19,664
		173,390	668,633
Assets of a disposal group classified as held for sale	6(b)	**2,861,227**	2,956,904
Total current assets		**3,034,617**	3,625,537
CURRENT LIABILITIES			
Interest-bearing bank and other loans	26	**5,850**	5,850
Accounts payable	27	**217,731**	351,408
Other payables and accruals	28	**774,100**	4,520,305
Fixed rate guaranteed senior notes	30	**882,329**	962,062
Guaranteed senior convertible notes	31	**441,753**	499,693
Guaranteed senior payment-in-kind notes	32	**88,657**	100,243
Liability portion of convertible preferred shares	33	**420,717**	406,110
Notes payable	34	**202,896**	227,292
Tax payable		**1,069**	1,059
Amounts due to the ultimate holding company	35	**947,503**	951,730
Amount due to the immediate holding company	35	**87**	27
Loans from the ultimate holding company	36	**–**	95,283
Loans from the immediate holding company	36	**3,000**	–
		3,985,692	8,121,062
Liabilities directly associated with the assets classified as held for sale	6(b)	**2,865,369**	3,255,146
Total current liabilities		**6,851,061**	11,376,208
NET CURRENT LIABILITIES		**(3,816,444)**	(7,750,671)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(3,647,083)**	(7,721,326)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Amount due to the immediate holding company	35	**456**	–
Loans from the ultimate holding company	36	**102,293**	–
Loans from the immediate holding company	36	**48,681**	3,000
Deferred tax liabilities	37	**34,121**	–
Total non-current liabilities		**185,551**	3,000
Net liabilities		**(3,832,634)**	(7,724,326)
DEFICIENCY IN ASSETS			
Deficiency attributable to owners of the Company			
Share capital	38	**78,206**	78,206
Deficits	40(a)	**(3,910,840)**	(7,802,532)
Deficiency in assets		**(3,832,634)**	(7,724,326)

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2015 and signed on its behalf by:

Wong Siu Hung Patrick	**Tang Chao Zhang**
Director	*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 2014

	Notes	Attributable to owners of the Company		
		Share capital (Note 38) HK$'000	Deficits (Note 40(a)) HK$'000	Total deficiency in assets HK$'000
At 1 January 2014		**78,206**	**(7,802,532)**	**(7,724,326)**
Profit for the year		**–**	**3,779,374**	**3,779,374**
Other comprehensive income for the year:				
Revaluation gain of prepaid land lease payment upon reclassification to investment property	16	**–**	**142,324**	**142,324**
Income tax arising from revaluation gain thereof	37	**–**	**(34,219)**	**(34,219)**
Exchange differences on translation of foreign operations		**–**	**2,767**	**2,767**
Total comprehensive income for the year		**–**	**3,890,246**	**3,890,246**
Released upon deconsolidation of subsidiaries	7(a)	**–**	**1,446**	**1,446**
At 31 December 2014		**78,206**	**(3,910,840)**	**(3,832,634)**
At 1 January 2013		78,206	(3,216,779)	(3,138,573)
Loss for the year		–	(4,570,232)	(4,570,232)
Other comprehensive loss for the year:				
Exchange differences on translation of foreign operations		–	(13,108)	(13,108)
Total comprehensive loss for the year		–	(4,583,340)	(4,583,340)
Share option expenses	40(a)	–	82	82
Released upon deconsolidation of subsidiaries	7(a)	–	(2,495)	(2,495)
At 31 December 2013		78,206	(7,802,532)	(7,724,326)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax from:			
Continuing operations		**3,945,724**	(4,818,150)
Discontinued operation	6(b)	**(167,692)**	249,252
Adjustments for:			
Depreciation	9	**48,736**	40,146
Amortisation of prepaid land/seabed lease payments	9	**7,315**	12,618
Interest income	9	**(29)**	(3,063)
Finance costs	8	**158,337**	308,585
Equity-settled share option expenses	40(a)	**–**	82
Reversal of impairment of property, plant and equipment	15	**–**	(482,455)
Reversal of impairment of prepaid land/seabed lease payments	17	**–**	(16,976)
Loss on disposal/write off of items of property, plant and equipment	9	**261**	158
Impairment of accounts receivable	22	**180**	887
Impairment of prepayments, deposits and other receivables	23	**2,361**	–
Write down of inventories to net realisable value		**–**	429
Gain on deconsolidation of subsidiaries	7(a)	**(4,134,534)**	(1,236,193)
Impairment losses on amounts due from deconsolidated subsidiaries	7(d)	**135,461**	5,384,435
Loss on derecognition of derivative financial instruments not qualifying as hedges	34	**–**	176,049
Loss arising on change in fair value of investment property	16	**510**	–
Recognition/(release) of financial guarantee contracts		**113,101**	(2,361)
Reversal of finance cost		**(213,229)**	–
Reversal of guaranteed senior payment-in-kind notes		**(11,320)**	–
		(114,818)	(386,557)
Decrease in inventories		**–**	44,290
Decrease in accounts receivable		**–**	695
Decrease in prepayments, deposits and other receivables		**2,152**	88,623
Increase in accounts payable		**608**	83,197
Increase in other payables and accruals		**41,163**	1,422
Increase in amounts due to the ultimate holding company		**3,822**	55,869
Increase in amount due to the immediate holding company		**–**	27

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash used in operations		**(67,073)**	(112,434)
Interest received		**29**	3,063
Interest paid		**–**	(44,122)
Overseas profits tax paid		**–**	(1)
Net cash flows used in operating activities		**(67,044)**	(153,494)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in pledged and time deposits		**–**	133,322
Additions to property, plant and equipment		**(48)**	(2,350)
Proceeds of disposal of property, plant and equipment		**–**	663
Net cash outflow arising on deconsolidation of subsidiaries	7(b)	**–**	(630)
Net cash flows (used in) /generated from investing activities		**(48)**	131,005
CASH FLOWS FROM FINANCING ACTIVITIES			
Inception of new bank and other loans		**–**	144,175
Inception of loans from the immediate holding company		**48,681**	3,000
Inception of loans from the ultimate holding company		**–**	44,713
Repayments of bank and other loans		**–**	(263,781)
Repayments of loans to the immediate holding company		**–**	(9,700)
Increase in restricted cash		**(23)**	(26)
Net cash flows generated from/(used in) financing activities		**48,658**	(81,619)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(18,434)**	(104,108)
Cash and cash equivalents at the beginning of the year		**19,891**	123,767
Effect of foreign exchange rate changes, net		**(11)**	232
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**1,446**	19,891

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,315**	19,664
Cash and bank balances attributable to discontinued operation	6(b)	**131**	227
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,446**	19,891
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents per consolidated statement of cash flows		**1,446**	19,891
Cash and bank balances attributable to discontinued operation	6(b)	**(131)**	(227)
Cash and cash equivalents as stated in the consolidated statement of financial position		**1,315**	19,664

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries	20	**–**	–
CURRENT ASSETS			
Amounts due from subsidiaries	20	**–**	–
Prepayments, deposits and other receivables	23	**2,539**	3,361
Cash and cash equivalents	24	**295**	261
Total current assets		**2,834**	3,622
CURRENT LIABILITIES			
Amounts due to subsidiaries	20	**2,767**	9,464
Other payables and accruals	28	**285,573**	131,271
Financial guarantee contracts	29	**321,996**	346,978
Fixed rate guaranteed senior notes	30	**882,329**	962,062
Guaranteed senior convertible notes	31	**441,753**	499,693
Guaranteed senior payment-in-kind notes	32	**88,657**	100,243
Liability portion of convertible preferred shares	33	**420,717**	406,110
Amounts due to the ultimate holding company	35	**943,291**	946,711
Amount due to the immediate holding company	35	**87**	27
Loans from the immediate holding company	36	**3,000**	–
Total current liabilities		**3,390,170**	3,402,559
NET CURRENT LIABILITIES		**(3,387,336)**	(3,398,937)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(3,387,336)**	(3,398,937)
NON-CURRENT LIABILITIES			
Amount due to the immediate holding company	35	**456**	–
Loans from the immediate holding company	36	**48,681**	3,000
Total non-current liabilities		**49,137**	3,000
Net liabilities		**(3,436,473)**	(3,401,937)
DEFICIENCY IN ASSETS			
Share capital	38	**78,206**	78,206
Deficits	40(b)	**(3,514,679)**	(3,480,143)
Deficiency in assets		**(3,436,473)**	(3,401,937)

The financial statements were approved and authorised for issue by the board of directors on 31 March 2015 and signed on its behalf by:

Wong Siu Hung Patrick
Director

Tang Chao Zhang
Director

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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 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 6.

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 consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, 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 the investment property and financial instruments, which have been measured at fair value. All the assets and liabilities as at 31 December 2014 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 6. These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Loss of access to books and records of the Group

The directors of the Company (the "Directors") have used their best endeavors to locate all the financial and business records of the Group. The access to most of the books and records of its subsidiaries which operated in Singapore have not been able to be located as a consequence of the re-location of the operating office and servers, together with the 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 and certain British Virgin Islands ("BVI") subsidiaries were put into liquidation in 2013 and 2014 and the records have since been under the control of the Liquidators. 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 years ended 31 December 2014 and 31 December 2013.

2.1 BASIS OF PREPARATION (Continued)

Going Concern Basis

During the year ended 31 December 2014, the Group incurred profits of HK$3,779,374,000 and, as of that date, the Group had net current liabilities and net liabilities of HK$3,816,444,000 and HK$3,832,634,000 respectively. These conditions together with events set out below, indicate the existence of a material uncertainty which may cast significant effect on the Group's ability to continue as a going concern.

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

a) *Proceedings*

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, among 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. Garth 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 10 April 2015 (Bermuda time), further details of which are set out in note 44.

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 has been engaging in discussions with the Group's creditors, potential creditors as well as investors or potential investors in relation to the debt restructuring and fund raising (by way of debt financing and equity financing) proposals. Certain agreements in relation to the debt restructuring and fund raising have been entered into with the relevant parties (details of the agreements are set out in the announcements of the Company dated 25 November 2013, 5 May 2014 and 30 May 2014). As announced by the Company on 30 May 2014, the Company has submitted a resumption proposal (the "Resumption Proposal") on 5 May 2014 and has entered into certain agreements in relation to its business development and debt restructuring.

Further details of the agreements will be disclosed in a separate announcement to be released by the Company.

2.1 BASIS OF PREPARATION (Continued)

Going Concern Basis (Continued)

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 Group for the year ended 31 December 2014. 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.

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 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following amended HKFRSs and HKASs issued by the HKICPA which became effective for accounting periods beginning on or after 1 January 2014.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
HK(IFRIC) – Int 21	Levies

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

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 application of these amendments to HKAS 32 results 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 application of these amendments to HKAS 36 has 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.

The application of these amendments to HKAS 39 has no material impact on the Group's financial performance and positions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 – 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.

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 application of these amendments to HKFRS 10, HKFRS 12 and HKAS 27 has 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 application of HK(IFRIC) – Int 21 has no material impact on the Group's financial performance and positions.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and revised HKFRSs and HKASs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

The Group is in the process of assessing the potential impact of the above new and revised HKFRSs upon initial application but is not yet in a position to state whether the above HKFRSs will have a significant impact on the Group's and the Company's results of operations and financial position.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

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

HKFRS 9 Financial Instruments (Continued)

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 are 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 accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value 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. 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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

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

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The Directors do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

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

Amendments to HKAS 1 – Disclosure Initiative

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The Directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The Directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

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

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost
- In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards.

The Directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.
- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

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

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

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

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

a) the property meets the definition of investment property in terms of HKAS 40; and

b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained profits at the beginning of that period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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

Annual Improvements to HKFRSs 2012-2014 Cycle (Continued)

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The Directors do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 investments 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, 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 consolidated 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 consolidated statement of profit or loss in the period in which it arises.

Related parties

a) A person or a close member of that person's family is related to the Group if that person:

    i) has control or joint control of 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) an entity is related to the Group if any of the following conditions applies:

    i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
    ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
    iii) both entities 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).

Close family members of the family or of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated 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
Furniture, equipment and motor vehicles	5 to 10 years

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

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 consolidated 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 and ship repair 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.

Investment property

Investment property is a property held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. All of the Group's property interests held for capital appreciation purposes are accounted for as an investment property and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets and disposal groups held for sale

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

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

Discontinued operation

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 consolidated 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.

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 consolidated 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 consolidated 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

If a prepaid land/seabed lease payment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in asset revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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 pledged deposits and restricted cash, cash and cash equivalents and other receivables and deposits.

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 consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated 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.

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 consolidated 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Subsequent measurement (Continued)

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 consolidated statement of profit or loss. The loss arising from impairment is recognised in the consolidated 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.

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 consolidated 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 consolidated statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, loans from the immediate holding company, interest-bearing bank and other 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"), liability portion of the Company's convertible preferred shares (the "Titan preferred shares"), and derivative financial instruments.

2.4 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 consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

b) Loans and borrowings
After initial recognition, interest-bearing bank and other loans, loans from the ultimate holding company and loans from the immediate holding company 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 consolidated 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 consolidated 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated statement of profit or loss.

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 consolidated 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 consolidated 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.

2.4 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.

Titan preferred shares

The components of Titan preferred shares that exhibit characteristics of a liability are recognised as liabilities in the consolidated statement of financial position, net of transaction costs. On issuance of the Titan preferred shares, the fair value of the liability portion is determined by using a market rate for an equivalent non-convertible share 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 remainder of the proceeds is allocated to the equity component of the Titan preferred shares. The carrying amount of the conversion option is not remeasured in subsequent years. 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 and equity components of the Titan preferred shares based on the allocation of proceeds to the liability 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 consolidated statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Ship stores and spare parts

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 consolidated 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 consolidated 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

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

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

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

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

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

Revenue recognition

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

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

2.4 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; and

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.

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 consolidated 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.

2.4 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 consolidated 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 consolidated statement of profit or loss as they become payable in accordance with the rules of the CP Scheme.

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

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars ("HK$"), 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

2.4 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 consolidated 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 consolidated 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 consolidated financial statements:

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 consolidated statement of profit or loss.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

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

Impairment of 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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 15, 16 and 17 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

4. REVENUE

Revenue under continuing operations, represents gross income from offshore storage 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 service is included under the revenue of discontinued operation. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

	2014 HK$'000	2013 HK$'000
Provision of offshore storage services	**–**	14,058
Supply of oil products and provision of bunker refueling services	**–**	630,267
Attributable to continuing operations	**–**	644,325
Attributable to discontinued operation	**–**	–
	–	644,325

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and are principally engaged in (a) provision of logistic services (including offshore storage and transportation); and (b) supply of oil products and provision of bunker refueling services. In 2010, the Group classified its shipbuilding operation as being discontinued for the reason as detailed in note 6(a).

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in the Company's Annual Report for the year ended 31 December 2014.

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. There were no intersegment sales in the current year (2013: HK$Nil).

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5. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2014

	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	–	–	–	–	–	–	–
Segment results	142	67	(1,363)	(1,154)	(31,941)	–	(33,095)
Adjusted for:							
– Interest income	–	–	–	–	1	28	29
– Other revenue	–	–	–	–	–	178,323	178,323
– Other expenses	–	–	–	–	–	(207,451)	(207,451)
	142	67	(1,363)	(1,154)	(31,940)	(29,100)	(62,194)
Add: Depreciation and amortisation	–	–	41	41	54,650	1,360	56,051
Operating earnings before interest, tax, depreciation and amortisation ("EBITDA")/ (loss before interest, tax, depreciation and amortisation) ("LBITDA")	142	67	(1,322)	(1,113)	22,710	(27,740)	(6,143)
Impairment losses on amounts due from deconsolidated subsidiaries	–	–	–	–	–	(135,461)	(135,461)
Gain on deconsolidation of subsidiaries	–	–	–	–	–	4,134,534	4,134,534
Loss arising on change in fair value of investment property	–	–	–	–	–	(510)	(510)
EBITDA/(LBITDA)	142	67	(1,322)	(1,113)	22,710	3,970,823	3,992,420
Depreciation and amortisation	–	–	(41)	(41)	(54,650)	(1,360)	(56,051)
Finance costs	–	–	–	–	(135,752)	(22,585)	(158,337)
Profit/(loss) before tax	142	67	(1,363)	(1,154)	(167,692)	3,946,878	3,778,032

5. 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 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)/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)

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5. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2014

	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	–	–	41	41	54,650	54,691
Unallocated depreciation and amortisation				1,360		1,360
				1,401		56,051
Capital expenditures*	–	–	–	–	19	19
Unallocated capital expenditures				29		29
				29		48
Impairment of accounts receivable	–	–	180	180	–	180
Impairment of prepayments, deposits and other receivables	–	–	–	–	–	–
Unallocated impairment of prepayments, deposits and other receivables				2,361		2,361
				2,361		2,361

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

5. 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.

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5. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

	Mainland China		Other Asia Pacific countries		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
a) Revenue						
Revenue from external customers	**–**	146,075	**–**	498,250	**–**	644,325
Attributable to discontinued operation – shipbuilding	**–**	–	**–**	–	**–**	–
Revenue from continuing operations	**–**	146,075	**–**	498,250	**–**	644,325
b) Other information						
Segment assets	**3,032,569**	3,450,094	**171,409**	204,788	**3,203,978**	3,654,882
Segment liabilities	**3,216,717**	3,566,940	**3,819,895**	7,812,268	**7,036,612**	11,379,208
Capital expenditures	**19**	11,769	**29**	2,489	**48**	14,258
Impairment of accounts receivable	**180**	–	**–**	887	**180**	887
Impairment of prepayments, deposits and other receivables	**1,147**	–	**1,214**	–	**2,361**	–
Reversal of impairment of property, plant and equipment	**–**	(482,455)	**–**	–	**–**	(482,455)
Reversal of impairment of prepaid land/ seabed lease payments	**–**	(16,976)	**–**	–	**–**	(16,976)

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

No revenue from major customers (2013: HK$484,192,000 and HK$89,378,000 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.

6. DISCONTINUED OPERATION

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") (the "GCL Sale and Purchase Agreement") 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$2,378,203,000) or a maximum reduced consideration of RMB1,465,670,000 (equivalent to approximately HK$1,868,316,000) 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$2,123,260,000).

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, among other things, the termination of the GCL Sale and Purchase Agreement and repayment of an aggregate of RMB740,000,000 (equivalent to approximately HK$943,291,000) 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 上海市第一中级人民法院 (Shanghai No.1 Intermediate People's Court) (the "Shanghai Intermediate Court") ordered discontinuation of proceedings. Further details are set out in note 44.

The GCL Sale and Purchase Agreement will be terminated subject to certain terms and conditions. Further details of the termination will be disclosed in a separate announcement to be released by the Company.

As at 31 December 2014 and 2013, the assets and liabilities related to the discontinued operation, shipbuilding and building of ship repair facilities, have been presented in the consolidated statement of financial position as "Assets of a disposal group classified as held for sale" and "Liabilities directly associated with the assets classified as held for sale". The results for the years ended 31 December 2014 and 2013 are included in the consolidated statement of profit or loss as "(Loss)/profit for the year from discontinued operation".

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6. DISCONTINUED OPERATION (Continued)

b) Financial information on Titan Quanzhou Shipyard

The combined results of Titan Quanzhou Shipyard for the year are presented below.

	Notes	2014 HK$'000	2013 HK$'000
Other revenue		**50,256**	879
General and administrative expenses		**(82,196)**	(95,868)
Reversal of impairment of property, plant and equipment	15	**–**	482,532
Reversal of impairment of prepaid land/ seabed lease payments	17	**–**	16,976
Finance costs	8	**(135,752)**	(155,267)
(Loss)/profit before tax		**(167,692)**	249,252
Income tax credit/(expenses)	12	**1,229**	(1,774)
(Loss)/profit for the year from discontinued operation		**(166,463)**	247,478

The major classes of assets and liabilities of Titan Quanzhou Shipyard classified as held for sale as at 31 December 2014 and 2013 are as follows:

	2014 HK$'000	2013 HK$'000
Assets		
Property, plant and equipment	**2,488,687**	2,545,476
Prepaid land/seabed lease payments	**306,345**	313,822
Inventories	**44,627**	44,789
Prepayments, deposits and other receivables	**21,437**	52,590
Cash and cash equivalents	**131**	227
Assets of a disposal group classified as held for sale	**2,861,227**	2,956,904
Liabilities		
Interest-bearing bank and other loans	**265,658**	699,670
Accounts payable	**93,861**	93,624
Other payables and accruals	**416,533**	486,839
Amounts due to the ultimate holding company	**83,949**	85,769
Loans from the ultimate holding company	**1,946,165**	1,828,812
Deferred tax liabilities	**59,203**	60,432
Liabilities directly associated with the assets classified as held for sale	**2,865,369**	3,255,146
Net liabilities directly associated with the disposal group	**(4,142)**	(298,242)

6. DISCONTINUED OPERATION (Continued)

b) Financial information on Titan Quanzhou Shipyard (Continued)

The combined net cash flows incurred by Titan Quanzhou Shipyard are summarised as follows:

	2014 HK$'000	2013 HK$'000
Net cash (outflow)/inflow from:		
Operating activities	**(77)**	(13,866)
Investing activities	**(19)**	–
Financing activities	**–**	12,886
Net cash outflow	**(96)**	(980)

7. DECONSOLIDATION OF SUBSIDIARIES

During the year ended 31 December 2014, ten wholly owned subsidiaries of the Group that were incorporated in BVI and three wholly owned subsidiaries of the Group that were incorporated in Singapore have been placed into liquidation.

Titan Storage Limited ("TSL"), Estonia Capital Ltd., Titan Mars Limited, Sino Ocean Development Limited, Brookfield Pacific Ltd., Roswell Pacific Ltd., Titus International Ltd., Wynham Pacific Ltd., Wendelstar International Ltd. and Sewell Global Ltd. were placed into voluntary liquidation on 25 April 2014. Titan Leo Pte. Ltd., Neptune Associated Shipping Pte Ltd and Petro Titan Pte. Ltd. were placed into voluntary liquidation on 29 April 2014.

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.

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.

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7. DECONSOLIDATION OF SUBSIDIARIES (Continued)

a) Gain on deconsolidation of subsidiaries

	2014 HK$'000	2013 HK$'000
Accounts receivable	**–**	77
Prepayments, deposits and other receivables	**11,679**	1,847
Amounts due from fellow subsidiaries	**–**	4,359,097
Amounts due from deconsolidated fellow subsidiaries	**2,087,170**	2,881,216
Cash and cash equivalents	**–**	630
Accounts payable	**(133,710)**	(132,997)
Amounts due to the intermediate holding company	**(134,987)**	(113,064)
Amounts due to fellow subsidiaries	**(476)**	(5,300,502)
Amounts due to deconsolidated fellow subsidiaries	**(5,918,946)**	(2,896,711)
Other payables and accruals	**(46,710)**	(33,291)
Net liabilities of deconsolidated subsidiaries attributable to the Group	**(4,135,980)**	(1,233,698)
Release of exchange fluctuation reserve	**(1,446)**	2,495
Net liabilities of deconsolidated subsidiaries attributable to the Group	**4,135,980**	1,233,698
Gain on deconsolidation of subsidiaries	**4,134,534**	1,236,193

b) Net cash outflow arising on deconsolidation of subsidiaries

	2014 HK$'000	2013 HK$'000
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:

	2014 HK$'000	2013 HK$'000
Other payables and accruals (Note 28)	**390,121**	4,222,659
Liabilities directly associated with the assets classified as held for sale	**114,000**	114,815
	504,121	4,337,474

d) Impairment losses:

	2014 HK$'000	2013 HK$'000
Impairment losses on amounts due from deconsolidated subsidiaries (Note)	**135,461**	5,384,435

Note:

During the year ended 31 December 2014, 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$135,461,000 (2013: HK$5,384,435,000) were recognised during the year.

8. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on:		
Bank and other loans		
– wholly repayable within five years	**11,489**	51,463
– not wholly repayable within five years	**5,691**	55,593
Loans from the immediate holding company		
– wholly repayable within five years	**516**	12
– 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	**125,133**	55,462
Senior Notes Due 2012	**–**	70,191
Convertible Notes Due 2015	**–**	45,722
PIK Notes Due 2015	**–**	8,007
K-Line Notes Due 2013	**–**	5,293
Dividends on the Titan preferred shares (Note 33)	**14,607**	14,608
Other finance costs	**901**	1,800
Total interest expenses	**158,337**	308,585
Attributable to continuing operations	**22,585**	153,318
Attributable to discontinued operation (Note 6(b))	**135,752**	155,267
	158,337	308,585

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9. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(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 operation.

	Notes	The Group 2014 HK$'000	2013 HK$'000
Employee benefits expenses (excluding directors' remuneration – Note 10):			
Wages and salaries		**14,624**	31,363
Equity-settled share option expenses		**–**	82
Pension scheme contributions		**1,193**	2,205
		15,817	33,650
Cost of inventories sold		**–**	621,014
Cost of services rendered		**–**	52,380
Depreciation*		**48,736**	40,146
Amortisation of prepaid land/seabed lease payments*		**7,315**	12,618
Minimum lease payments under operating leases:			
Vessels		**–**	22,967
Leasehold buildings*		**4,825**	6,600
Auditors' remuneration*		**2,080**	1,723
Loss on disposal/write off of items of property, plant and equipment*		**261**	158
Write down of inventories to net realisable value*		**–**	429
Reversal of impairment of prepaid land/seabed lease payments*	17	**–**	(16,976)
Reversal of impairment of property, plant and equipment*	15	**–**	(482,455)
Foreign exchange differences, net*		**(2,981)**	63,737
Impairment of accounts receivable*	22	**180**	887
Impairment of prepayments, deposits and other receivables*		**2,361**	–
Bank interest income		**(29)**	(3,063)

* Depreciation of HK$47,520,000 (2013: HK$38,354,000), amortisation of prepaid land/seabed lease payments of HK$7,130,000 (2013: HK$12,070,000), minimum lease payments under operating leases in leasehold buildings of HK$74,000 (2013: HK$Nil), auditors' remuneration of HK$51,000 (2013: HK$204,000), reversal of impairment of prepaid land/seabed lease payments of HK$Nil (2013: HK$16,976,000), reversal of impairment of property, plant and equipment of HK$Nil (2013: HK$482,532,000) and foreign exchange gain of HK$687,000 (2013: loss of HK$8,384,000) were included in (Loss)/profit for the year from discontinued operation in the consolidated statement of profit or loss. Except for the above, items that are related to continuing operations are included in "General and administrative expenses" in the consolidated statement of profit or loss.

10. DIRECTORS' REMUNERATION

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Fees	**1,238**	1,261
Other emoluments:		
Salaries, allowances and benefits-in-kind	**9,878**	9,594
Pension scheme contributions	**68**	45
	9,946	9,639
	11,184	10,900

During the years ended 31 December 2014 and 2013, 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 2014 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	17	3,817
Mr. Tang Chao Zhang*	–	1,200	17	1,217
Mr. Wong Siu Hung Patrick	–	3,678	17	3,695
Mr. Fu Yong Yuan	–	1,200	17	1,217
Non-executive directors:				
Mr. Hu Zhong Shan	250	–	–	250
Mr. Fan Qinghua	250	–	–	250
Independent non-executive directors:				
Mr. Foo Meng Kee	260	–	–	260
Mr. Lau Fai Lawrence (appointed on 13 March 2014)	193	–	–	193
Mr. Cheung Hok Fung Alexander (appointed on 24 March 2014 and resigned on 21 March 2015)	186	–	–	186
Mr. John William Crawford (contract expired on 27 February 2014)	59	–	–	59
Mr. Abraham Shek Lai Him (contract expired on 27 February 2014)	40	–	–	40
Total	1,238	9,878	68	11,184

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10. DIRECTORS' REMUNERATION (Continued)

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. Wong Siu Hung Patrick	–	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				
(resigned on 5 February 2013)	–	–	–	–
Independent non-executive directors:				
Mr. John William Crawford				
(contract expired on 27 February 2014)	370	–	–	370
Mr. Abraham Shek Lai Him				
(contract expired on 27 February 2014)	250	–	–	250
Mr. Foo Meng Kee				
(appointed on 27 December 2013)	4	–	–	4
Mr. Shane Frederick Weir				
(retired on 30 September 2013)	196	–	–	196
Total	1,261	9,594	45	10,900

* Mr. Zhao Xu Guang ceased to act as CE on 25 March 2013 and reappointed as CE on 23 October 2014. Mr. Tang Chao Zhang was appointed as CE on 26 March 2013 and ceased to act as CE on 23 October 2014.

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

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

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2013: four) directors, details of whose remuneration is disclosed in note 10 above. Details of the remuneration of the remaining one (2013: one) non-director, highest paid employee who is neither a director or senior management of the Company for the year are as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits-in-kind	**650**	1,032
Pension scheme contributions	**17**	42
	667	1,074

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

	Number of employees	
	2014	2013
HK$500,001 to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**–**	1
	1	1

During the years ended 31 December 2014 and 2013, 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.

12. 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:

	2014	2013
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.

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12. INCOME TAX CREDIT (Continued)

Mainland China

Under the Law of 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.

	2014 HK$'000	2013 HK$'000
Current tax:		
Hong Kong:		
Underprovision in prior years	**14**	–
	14	–
Elsewhere:		
Current charge for the year	**–**	121
Overprovision in prior years	**–**	(561)
	–	(440)
Deferred tax:		
Credit for the year (Note 37)	**(127)**	–
	(113)	(440)

A reconciliation of the tax (credit)/expense applicable to the profit/(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)/expense at the effective tax rate is as follows:

	The Group	
	2014 HK$'000	2013 HK$'000
Profit/(loss) before tax	**3,778,032**	(4,568,898)
Tax at the statutory tax rates	**608,295**	(767,863)
Adjustments in respect of current tax of previous periods	**14**	(561)
Income not subject to tax	**(724,209)**	(651,012)
Expenses not deductible for tax	**114,558**	1,420,770
Income tax (credit)/expense at the Group's effective rate	**(1,342)**	1,334
Represented by:		
Tax credit attributable to continuing operations	**(113)**	(440)
Tax (credit)/expense attributable to discontinued operation (Note 6(b))	**(1,229)**	1,774
	(1,342)	1,334

12. INCOME TAX CREDIT (Continued)

Income tax recognised in other comprehensive income

	The Group	
	2014	2013
	HK$'000	HK$'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Revaluation of investment property (Note 37)	**34,219**	–
Total income tax recognised in other comprehensive income	**34,219**	–

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2014 includes a loss of HK$34,536,000 (2013: HK$410,782,000) which has been dealt with in the financial statements of the Company (note 40(b)).

14. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

From continuing and discontinued operations

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

	2014	2013
	HK$'000	HK$'000
Earnings/(loss)		
Earnings/(loss) for the purpose of basic earnings/(loss) per share		
Profit/(loss) for the year attributable to owners of the Company	**3,779,374**	(4,570,232)
Effect of dilutive potential ordinary shares:		
Dividends on Titan preferred shares (Note)	**14,607**	–
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	**3,793,981**	(4,570,232)

Number of shares

	2014	2013
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**7,820,554,682**	7,820,554,682
Effect of dilutive potential ordinary shares:		
Titan preferred shares (Note)	**555,000,000**	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**8,375,554,682**	7,820,554,682

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

From continuing operations

The calculation of the basic and diluted earnings/(loss) per share from continuing operations attributable to owners of the Company is based on the following data:

Earnings/(loss) figures are calculated as follows:

	2014 **HK$'000**	2013 HK$'000
Profit/(loss) for the year attributable to owners of the Company	**3,779,374**	(4,570,232)
Add/(less):		
Loss/(profit) for the year from discontinued operation	**166,463**	(247,478)
Earnings/(loss) for the purpose of basic earnings/(loss) per share from continuing operations	**3,945,837**	(4,817,710)
Effect of dilutive potential ordinary shares:		
Dividends on Titan preferred shares (Note)	**14,607**	–
Earnings/(loss) for the purpose of diluted earnings/(loss) per share from continuing operations	**3,960,444**	(4,817,710)

Note:

As the Company failed to redeem the Titan preferred shares, the convertible right was deemed to continue for the purpose of calculating diluted earnings/(loss) per share. No adjustment have been made to the basic loss per share amounts presented for the year ended 31 December 2013 as the Titan preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

From discontinued operation

Basic loss per share for the discontinued operation is HK2.12 cents per share (2013: earnings per share of HK3.16 cents) and diluted loss per share for the discontinued operation is HK1.99 cents per share (2013: earnings per share of HK3.16 cents), based on the loss for the year from the discontinued operation of HK$166,463,000 (2013: profit of HK$247,478,000) and the denominators detailed above for both basic and diluted earnings/(loss) per share.

15. PROPERTY, PLANT AND EQUIPMENT

31 December 2014	Leasehold improvements HK$'000	Furniture, equipment and motor vehicles HK$'000	Total HK$'000
At 31 December 2013 and 1 January 2014:			
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
At 1 January 2014, net of accumulated depreciation and impairments	247	4,540	4,787
Additions	–	29	29
Disposals/written off	–	(452)	(452)
Depreciation provided during the year	(96)	(1,120)	(1,216)
Exchange realignments	(1)	(9)	(10)
At 31 December 2014, net of accumulated depreciation and impairments	150	2,988	3,138
At 31 December 2014:			
Cost	3,277	11,786	15,063
Accumulated depreciation and impairments	(3,127)	(8,798)	(11,925)
Net carrying amount	150	2,988	3,138

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15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

At 31 December 2014, 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$833,371,000 (2013: HK$836,392,000), HK$436,964,000 (2013: HK$453,316,000) and HK$118,659,000 (2013: HK$147,319,000), respectively, were pledged to certain bank loans and other loans and loans from the ultimate holding company granted to the Group (notes 26 and 36).

At 31 December 2014, included in the assets of a disposal group classified as held for sale was the property, plant and equipment with net carrying amount of HK$2,488,687,000 (2013: HK$2,545,476,000), as the recoverable amount of the property, plant and equipment was calculated to be approximately the same as its carrying amount since the last impairment loss was recognised and accordingly, reversal of impairment of HK$Nil (2013: HK$482,532,000) was recognised for the year ended 31 December 2014 and has been included in (loss)/profit for the year from discontinued operation as set out in note 6(b).

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The recoverable amount of the property, plant and equipment classified as held for sale for as at 31 December 2014 and 2013 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.

16. INVESTMENT PROPERTY

	The Group 2014 HK$'000
At fair value	
Balance at 1 January	–
Transfer from prepaid land/seabed lease payments (Note 17)	24,275
Revaluation gain of prepaid land/seabed lease payments upon reclassification to investment property	142,324
Loss arising on change in fair value of investment property	(510)
Exchange realignments	134
Balance at 31 December	166,223
Unrealised loss on property revaluation included in profit or loss	510

The Group's property interests held under operating leases for investment purpose are measured using the fair value model and are classified and accounted for as investment property. That investment property is held on a long-term basis and is situated in Mainland China.

In the prior year, a piece of land located in Fujian, subsequent to initial recognition, was stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation was recognised so as to write off the cost of land over its estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. According to the Board resolution dated 2 May 2014, the use of the land in Fujian changed from own use to investment purpose. As a result, the land has been reclassified as an investment property and the measurement method subsequent to initial recognition has been changed to fair values. Any change in fair value of the land after reclassification is included in profit or loss for the year in which they arise.

At 31 December 2014, the investment property under the consolidated statement of financial position with an aggregate net carrying value of HK$166,223,000 (2013: HK$Nil) were pledged to the loan granted to the Group (note 26).

The fair value of the Group's investment property as at 31 December 2014 has been arrived at on the basis of a valuation carried out on the respective dates by an independent valuer not connected to the Group. The investment property located in Mainland China with medium term lease categorised as level 2 fair value measurement was determined by making reference to the comparable market transactions/asking prices as available in the relevant markets where appropriate. The fair value less costs to sell being the recoverable amount was within the level 2 of the fair value hierarchy.

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16. INVESTMENT PROPERTY (Continued)

There were no transfers between Level 1, Level 2 and Level 3.

Property valuation as at 31 December 2014 was carried out by Access Partner Consultancy & Appraisals Limited, an independent qualified professional valuer, in respect of the Group's investment property in Mainland China.

The valuation report for the property as at 31 December 2014 is signed by the associate director of Access Partner Consultancy & Appraisals Limited, who is the member of The Hong Kong Institute of Surveyors. The valuation was performed in accordance with "The HKIS Valuation Standards 2012 Edition" published by The Hong Kong Institute of Surveyors.

17. PREPAID LAND/SEABED LEASE PAYMENTS

	The Group	
	2014	2013
	HK$'000	HK$'000
Carrying amount at 1 January	**24,558**	24,361
Amortisation provided during the year	**(185)**	(548)
Transfer to investment property (Note 16)	**(24,275)**	–
Exchange realignments	**(98)**	745
Carrying amount at 31 December	**–**	24,558

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 2014, 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$306,345,000 (2013: HK$338,380,000) were pledged to certain bank loans and other loans granted to the Group (note 26).

At 31 December 2014, 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$306,345,000 (2013: HK$313,822,000) as the recoverable amount of the prepaid land/seabed lease payments was calculated to be higher than its carrying amount since the last impairment loss was recognised and accordingly, reversal of impairment of HK$Nil (2013: HK$16,976,000) was recognised for the year ended 31 December 2014 and has been included in (loss)/profit for the year from discontinued operation as set out in note 6(b).

The recoverable amount of the prepaid land/seabed lease payments classified as held for sale for the years ended 31 December 2014 and 2013 was determined based on a valuation performed by an independent valuer not connected to the Group. The recoverable amount was calculated by direct comparison approach. The fair value less cost to sell being the recoverable amount was within the level 2 of the fair value hierarchy.

18. LICENSES

	The Group HK$'000
31 December 2014	
At 1 January 2014 and 31 December 2014, net of accumulated amortisation and impairments	**–**
At 31 December 2014:	
Cost	**–**
Accumulated amortisation and impairments	**–**
Net carrying amount	**–**
At 31 December 2013:	
Cost	36,584
Accumulated amortisation and impairments	(36,584)
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 2014, the subsidiary which hold the licenses was placed into liquidation on 25 April 2014 and accordingly, the cost and accumulated amortisation of the licenses were written off.

19. GOODWILL

	The Group HK$'000
31 December 2014	
At 1 January 2014 and 31 December 2014, net of accumulated impairments	**–**
At 31 December 2014:	
Cost	**16,568**
Accumulated impairments	**(16,568)**
Net carrying amount	**–**
At 31 December 2013:	
Cost	16,568
Accumulated impairments	(16,568)
Net carrying amount	–

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19. GOODWILL (Continued)

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

	Oil supply		Shipbuilding and ship repair		Total	
	2014	2013	**2014**	2013	**2014**	2013
	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; and
- Shipbuilding and ship repair cash-generating unit.

20. INTERESTS IN SUBSIDIARIES

	The Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**234,008**	234,008
Deemed investment cost*	**208,841**	346,978
Due from subsidiaries	**4,832,707**	4,828,191
Less: Impairment	**(5,275,556)**	(5,409,177)
	–	–

* 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 (which was put into liquidation in 2014) in accounts payable and (iii) the K-Line Notes Due 2013.

20. INTERESTS IN SUBSIDIARIES (Continued)

During the year ended 31 December 2014, TSL, a subsidiary of the Group, was placed into the liquidation. The Group had deconsolidated TSL as the Directors considered that the Group's control over TSL had been lost. Accordingly, the financial guarantees provided by the Company to TSL in respect of charter hire expenses of vessels were no longer considered a deemed investment of the Company. The Company derecognised that deemed investment cost and recognised a reversal of impairment loss of deemed investment cost amounting to HK$113,101,000 (2013: HK$Nil).

During the year ended 31 December 2014, the Company recognised a reversal of impairment loss of HK$20,520,000 (2013: impairment loss of HK$85,649,000) on the amounts due from subsidiaries and deemed investment cost mainly due to the decrease in deemed investment cost in respective subsidiaries.

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

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 Fujian#	Mainland China	US$30,000,000	100	Investment holding
Indirectly held				
Estonia Capital Ltd.°	BVI/Singapore	Ordinary US$1	100	Provision of floating storage services
Wynham Pacific Ltd.°	BVI/Singapore	Ordinary US$1	100	Provision of oil transportation services

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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
Sino Ocean Development Limited°	BVI/Singapore	Ordinary US$1	100	Provision of oil transportation services
Titan Mars Limited°	BVI/Malaysia	Ordinary US$1,000	100	Holding a floating storage license
TSL°	BVI/Malaysia	Ordinary US$1,000	100	Provision of floating storage services
Titan Resources Management Limited	BVI/Hong Kong	Ordinary US$1	100	Provision of consultancy services
Ascend Success Investments Limited	Hong Kong	Ordinary HK$1	100	Provision of financing services
石狮市益泰润滑油脂贸易有限责任公司	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	BVI	Ordinary US$10,000	100	Investment holding
Titan Quanzhou Shipyard†	Mainland China	RMB1,040,879,823	100	Shipbuilding and ship repair
广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 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.

On 11 December 2010, the Company entered into the GCL 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 30), the Convertible Notes Due 2015 (note 31) and the PIK Notes Due 2015 (note 32).

21. INVENTORIES

At 31 December 2014, the Group had supplies of HK$44,627,000 (2013: HK$44,789,000) 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 2014 as set out in note 6(b).

22. ACCOUNTS RECEIVABLE

	The Group	
	2014	2013
	HK$'000	HK$'000
Accounts receivable	**1,627**	14,440
Impairments	**(1,627)**	(14,259)
	–	181

The Group normally allows credit terms to well-established customers ranging from 30 to 90 days. Efforts are made to maintain strict control over outstanding receivables and overdue balances are reviewed regularly by senior management. On this basis and the fact that the Group's accounts receivable relate to a large number of diversified customers, there are no significant concentrations of credit risk. Accounts receivable are non-interest-bearing.

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

	The Group	
	2014	2013
	HK$'000	HK$'000
1 to 3 months	**–**	181
	–	181

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

	The Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**14,259**	22,740
Released upon deconsolidation of subsidiaries	**(12,812)**	(8,897)
Bad debts written off	**–**	(471)
Impairment losses recognised (Note 9)	**180**	887
At 31 December	**1,627**	14,259

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31 December 2014

22. ACCOUNTS RECEIVABLE (Continued)

Included in the above impairment of accounts receivable is a provision for individually impaired accounts receivable of HK$1,627,000 (2013: HK$14,259,000) with a carrying amount before provision of HK$1,627,000 (2013: HK$14,440,000). 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:

	The Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**–**	181

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.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Receivables from the liquidator of Titan Group Investment Limited ("TGIL")	**137,813**	139,090	**–**	–
Prepayment of expenses	**3,047**	4,080	**2,415**	3,347
Charter hire deposits for vessels	**–**	12,636	**–**	–
Others	**4,695**	5,923	**124**	14
	145,555	161,729	**2,539**	3,361

During the year ended 31 December 2014, the Group recognised an impairment loss of HK$2,361,000 (2013: HK$Nil) on prepayments, deposits and other receivables in continuing operations, based on estimated irrecoverable amounts determined by reference to past experience.

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

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**1,315**	19,664	**295**	261
Pledged deposits and restricted cash	**26,520**	487,059	**–**	–
	27,835	506,723	**295**	261
Less: Amounts pledged for bank and other loans and restricted cash:				
Bank balances	**(19)**	(19)	**–**	–
Time deposits	**(26,501)**	(26,478)	**–**	–
Time deposits with original maturities of more than three months (Note 26)	**–**	(460,562)	**–**	–
	(26,520)	(487,059)	**–**	–
Cash and cash equivalents	**1,315**	19,664	**295**	261

At 31 December 2014, 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$387,000 (2013: HK$461,324,000). 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 authorised banks to conduct foreign exchange business.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are usually made for one week, 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.

25. NON-CASH TRANSACTIONS

In addition to non-cash transactions disclosed elsewhere in these consolidated financial statements, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

a) During the year ended 31 December 2014, an entrusted loan included in liabilities directly associated with the assets classified as held for sale amounting to RMB360,000,000 (equivalent to approximately HK$458,692,000) was fully settled by a pledged deposit of the same amount held under a subsidiary of the Company. This constituted a non-cash transaction in 2014.

b) During the year ended 31 December 2013, a bank has transferred to GZE the rights and interests of a loan with the principal amounting to RMB39,000,000 (equivalent to approximately HK$49,894,000) held under a subsidiary of the Group. This constituted a non-cash transaction in 2013.

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25. NON-CASH TRANSACTIONS (Continued)

c) During the year ended 31 December 2013, a financial institution has transferred to GZE the rights and interests of a loan with the principal amounting to RMB1,429,497,000 (equivalent to approximately HK$1,828,812,000) held under a subsidiary classified as disposal group held for sale. This constituted a non-cash transaction in 2013.

26. INTEREST-BEARING BANK AND OTHER LOANS

	The Group					
	2014			2013		
The Group	**Effective interest rate (%)**	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank and other loans – unsecured	**0.00**	**2012**	**5,850**	6.63	2012	5,850
			5,850			5,850

	The Group	
	2014	2013
	HK$'000	HK$'000
Bank and other loans repayable:		
Within one year	**5,850**	5,850

As at 31 December 2014, the Group, including those classified as held for sale, was in default on repayment of certain secured and unsecured bank borrowings with overdue portion in principal amount of HK$Nil and HK$5,850,000 respectively (2013: HK$648,497,000 and HK$5,850,000 respectively). The Company was continually in discussions with banks on the terms of the settlement of such defaulted loan.

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

i) prepaid land/seabed lease payments with an aggregate net carrying value of HK$306,345,000 (2013: HK$338,380,000);

ii) buildings with an aggregate net carrying value of HK$56,790,000 (2013: HK$59,155,000);

iii) investment property with an aggregate carrying value of HK$166,223,000 (2013: HK$Nil); and

iv) bank balances and deposits of HK$460,562,000 in 2013 but were released in 2014.

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

27. ACCOUNTS PAYABLE

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:

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
1 to 3 months	**–**	–	**–**	–
4 to 6 months	**–**	–	**–**	–
7 to 12 months	**–**	19	**–**	–
Over 12 months	**217,731**	351,389	**–**	–
	217,731	351,408	**–**	–

28. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts due to deconsolidated subsidiaries	**390,121**	4,222,659	**–**	–
Amounts due to a deconsolidated jointly-controlled entity	**174,665**	175,298	**285**	285
Financial guarantee contracts (Note 29)	**113,155**	–	**–**	–
Receipt in advance	**23,400**	23,400	**–**	–
Others	**72,759**	98,948	**285,288**	130,986
	774,100	4,520,305	**285,573**	131,271

29. FINANCIAL GUARANTEE CONTRACTS

At 31 December 2014, 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 which was put into liquidation in 2014 and (iii) the K-Line Notes Due 2013, aggregated amounted to HK$321,996,000 (2013: HK$346,978,000). During the year ended 31 December 2014, TSL, a subsidiary of the Group, was placed into the liquidation. The Group had deconsolidated TSL as the Directors considered that the Group's control over TSL had been lost. Accordingly, the financial guarantees of HK$113,155,000 provided by the Company to TSL in respect of charter expenses of vessels were no longer considered as the guarantees to the subsidiary of the Group. It was recognised as financial guarantee contracts under "Other payables and accruals" in the consolidated statement of financial position as set out in note 28. The remaining financial guarantee contracts amounting to HK$208,841,000 (2013: HK$346,978,000) are eliminated on consolidation and are reflected in the Company's statement of financial position as set out in note 20.

30. 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$400,000,000 (equivalent to approximately HK$3,120,000,000) 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 Note 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 effective interest rate on the Senior Notes Due 2012 was 0.00% per annum in 2014 (2013: 8.50%). The outstanding principal in respect of the Senior Notes Due 2012 as at 31 December 2014 was US$105,870,000 (equivalent to approximately HK$825,786,000) (2013: 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 2014 and 2013 was US$9,528,000 (equivalent to approximately HK$74,321,000) and US$6,222,000 (equivalent to approximately HK$48,515,000), respectively.

The Senior Notes Due 2012, Convertible Notes Due 2015 and PIK Notes Due 2015 are collectively defined as "Existing Notes".

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

Pursuant to the Creditors' Scheme of arrangement (the "Creditors' Scheme"), the creditors of Existing Notes will settle their claims in exchange 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; 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.

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

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

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.

On 14 August 2014, the Company and Notes Creditors of Senior Notes Due 2012 and certain Notes Creditors constituting the informal creditors' committee entered into an agreement, pursuant to which, the claims of those creditors of Existing Notes shall be compromised under the terms of a scheme of arrangement in Bermuda on the basis of the terms announced by the Company on 25 November 2013. Further details in respect of the above are included in the Company's announcement dated 1 September 2014.

On 22 October 2014, separate meetings of the creditors of Existing Notes and of Non-Note Creditors (as defined in the Creditors' Scheme) (the "Scheme Meetings") were held on the same date to consider and approve the Creditors' Scheme. At both Scheme Meetings, a majority in number of the Scheme Creditors present and voting (in person or by proxy), representing not less than three-fourths in value of the accepted claims of Scheme Creditors present and voting (either in person or by proxy), have voted in favour of the Creditors' Scheme. Accordingly, the Creditors' Scheme was duly approved at the Scheme Meetings. Further details in respect of the above are included in the Company's announcement dated 22 October 2014.

On 5 November 2014 (Bermuda time), the Creditors' Scheme was sanctioned by the Bermuda Court on the same date and became effective and binding on all Scheme Creditors upon a copy of the Order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Act on the same date. Further details in respect of the above are included in the Company's announcement dated 6 November 2014.

On 12 November 2014, a notice was given that pursuant to the terms of the Creditors' Scheme, the Bar Time shall be 5:00 p.m. (Hong Kong time) on 5 February 2015; and Scheme Creditors who fail to submit an Account Holder Letter (for each Note Creditor) or Notice of Claim (for each Non-Note Creditor) prior to the Bar Time shall have no entitlement to Scheme Consideration in respect of any accepted liabilities under the Creditors' Scheme. Further details in respect of the above are included in the Company's announcement dated 12 November 2014.

At the hearing held on 6 March 2015, the Bermuda Court ordered to extend the long-stop date of the Creditors' Scheme of the Company to 31 July 2015. Further details in respect of above are included in the Company's announcement on 9 March 2015.

Except for the reversal of overprovision of interest on Senior Notes Due 2012 for prior years, the Company has not recognised any gain derived from the Creditors' Scheme for the year ended 31 December 2014.

The Company has entered into certain agreements in relation to settlement of outstanding debts of the Group. Further announcement(s) will be made by the Company as and when appropriate.

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

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

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

During the years ended 31 December 2014 and 2013, 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 0.00% per annum in 2014 (2013: 12.22%).

On 31 December 2014, the outstanding principal of the Convertible Notes Due 2015 was US$47,960,000 (equivalent to approximately HK$374,088,000) (2013: US$47,960,000 (equivalent to approximately HK$374,088,000)).

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 44.

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

Pursuant to the Creditors' Scheme, the creditors of Existing Notes will settle their claims in exchange 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; 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.

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

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

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.

On 14 August 2014, the Company and Notes Creditors of Convertible Notes Due 2015 and certain Notes Creditors constituting the informal creditors' committee entered into an agreement, pursuant to which, the claims of those creditors of Existing Notes shall be compromised under the terms of a scheme of arrangement in Bermuda on the basis of the terms announced by the Company on 25 November 2013. Further details in respect of the above are included in the Company's announcement dated 1 September 2014.

On 22 October 2014, the Scheme Meetings were held on the same date to consider and approve the Creditors' Scheme. At both Scheme Meetings, a majority in number of the Scheme Creditors present and voting (in person or by proxy), representing not less than three-fourths in value of the accepted claims of Scheme Creditors present and voting (either in person or by proxy), have voted in favour of the Creditors' Scheme. Accordingly, the Creditors' Scheme was duly approved at the Scheme Meetings. Further details in respect of the above are included in the Company's announcement dated 22 October 2014.

On 5 November 2014 (Bermuda time), the Creditors' Scheme was sanctioned by the Bermuda Court on the same date and became effective and binding on all Scheme Creditors upon a copy of the Order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Act on the same date. Further details in respect of the above are included in the Company's announcement dated 6 November 2014.

On 12 November 2014, a notice was given that pursuant to the terms of the Creditors' Scheme, the Bar Time shall be 5:00 p.m. (Hong Kong time) on 5 February 2015; and Scheme Creditors who fail to submit an Account Holder Letter (for each Note Creditor) or Notice of Claim (for each Non-Note Creditor) prior to the Bar Time shall have no entitlement to Scheme Consideration in respect of any accepted liabilities under the Creditors' Scheme. Further details in respect of the above are included in the Company's announcement dated 12 November 2014.

At the hearing held on 6 March 2015, the Bermuda Court ordered to extend the long-stop date of the Creditors' Scheme of the Company to 31 July 2015. Further details in respect of the above are included in the Company's announcement on 9 March 2015.

Except for the reversal of overprovision of interest on Convertible Notes Due 2015 for prior years, the Company has not recognised any gain derived from the Creditors' Scheme for the year ended 31 December 2014.

The Company has entered into certain agreements in relation to settlement of outstanding debts of the Group. Further announcement(s) will be made by the Company as and when appropriate.

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32. 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 8.50% 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 a pledge of the Subsidiary Guarantors shares. Details of the principal terms of the PIK Notes Due 2015 are more fully described in the Company's announcement dated 9 June 2010.

The PIK Notes Due 2015 are carried at amortised cost with an effective interest rate of 0.00% per annum in 2014 (2013: 8.50%). At 31 December 2014, the outstanding principal of the PIK Notes Due 2015 was US$10,912,751 (equivalent to approximately HK$85,119,458) (2013: US$12,364,095 (equivalent to approximately HK$96,439,942)).

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 44.

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

Pursuant to the Creditors' Scheme, the creditors of Existing Notes will settle their claims in exchange 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; 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.

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

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.

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

On 14 August 2014, the Company and Notes Creditors of PIK Notes Due 2015 and certain Notes Creditors constituting the informal creditors' committee entered into an agreement, pursuant to which, the claims of those creditors of Existing Notes shall be compromised under the terms of the Creditors' Scheme in Bermuda on the basis of the terms announced by the Company on 25 November 2013. Further details in respect of the above are included in the Company's announcement dated 1 September 2014.

On 22 October 2014, the Scheme Meetings were held on the same date to consider and approve the Creditors' Scheme. At both Scheme Meetings, a majority in number of the Scheme Creditors present and voting (in person or by proxy), representing not less than three-fourths in value of the accepted claims of Scheme Creditors present and voting (either in person or by proxy), have voted in favour of the Creditors' Scheme. Accordingly, the Creditors' Scheme was duly approved at the Scheme Meetings. Further details in respect of the above are included in the Company's announcement dated 22 October 2014.

On 5 November 2014 (Bermuda time), the Creditors' Scheme was sanctioned by the Bermuda Court on the same date and became effective and binding on all Scheme Creditors upon a copy of the Order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Act on the same date. Further details in respect of the above are included in the Company's announcement dated 6 November 2014.

On 12 November 2014, a notice was given that pursuant to the terms of the Creditors' Scheme, the Bar Time shall be 5:00 p.m. (Hong Kong time) on 5 February 2015; and Scheme Creditors who fail to submit an Account Holder Letter (for each Note Creditor) or Notice of Claim (for each Non-Note Creditor) prior to the Bar Time shall have no entitlement to Scheme Consideration in respect of any accepted liabilities under the Creditors' Scheme. Further details in respect of the above are included in the Company's announcement dated 12 November 2014.

At the hearing held on 6 March 2015, the Bermuda Court ordered to extend the long-stop date of the Creditors' Scheme of the Company to 31 July 2015. Further details in respect of the above are included in the Company's announcement on 9 March 2015.

Except for the reversal of overprovision of interest on PIK Notes Due 2015 for prior years, the Company has not recognised any gain derived from the Creditors' Scheme for the year ended 31 December 2014.

The Company has entered into certain agreements in relation to settlement of outstanding debts of the Group. Further announcement(s) will be made by the Company as and when appropriate.

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33. CONVERTIBLE PREFERRED SHARES

	The Group		The Company	
	Equity portion HK$'000	**Liability portion** HK$'000	**Equity portion** HK$'000	**Liability portion** HK$'000
Titan preferred shares				
At 31 December 2012 and 1 January 2013	–	391,502	–	391,502
Add: Dividends on Titan preferred shares (classified as financial liabilities) (Note 8)	–	14,608	–	14,608
At 31 December 2013 and 1 January 2014	**–**	**406,110**	**–**	**406,110**
Add: Dividends on Titan preferred shares (classified as financial liabilities) (Note 8)	**–**	**14,607**	**–**	**14,607**
At 31 December 2014	**–**	**420,717**	**–**	**420,717**

In 2007, the Company issued 555,000,000 Titan preferred shares at the stated value of HK$0.56 per share. The fair values of the liability portion of the Titan preferred shares was estimated at the issuance date.

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.

On 12 October 2012, GZE has informed the Company that it (through one of its wholly owned subsidiaries) has agreed, subject to the fulfillment of certain conditions precedent, to acquire all beneficial interests in the Titan preferred shares from SPHL.

34. 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, Titan TQSL, 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 Titan TQSL on a fully diluted basis (the "Applicable Redemption Amount"). The Group has the right to redeem the notes in full prior to maturity date at the Applicable Redemption Amount, while K-Line has a right of early redemption at the Applicable Redemption Amount in the event of a change of control.

The K-Line Notes Due 2013 comprised a financial liability at amortised cost and an embedded derivative. As at 31 December 2014, the fair value of the embedded derivatives asset was HK$Nil (2013: HK$Nil).

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 in 2013 represented the derecognition of derivative financial instruments of the K-Line Notes Due 2013 when it was due on 31 March 2013.

On 17 April 2014, the Company and Shipyard Holdings entered into a support agreement (the "Support Agreement") with the holder of K-Line Notes Due 2013, K-Line (being one of the creditors of Unsecured Claim), pursuant to which the parties have agreed that the claims of K-Line under the K-Line Notes Due 2013 shall be compromised, terminated and/or discharged upon its receipt of consideration being no less than HK$0.10 for every HK$1.00 of the agreed claim amounts in cash under the Restructuring by way of participation in the Creditors' Scheme or otherwise. And K-Line has agreed to support the debt restructuring and the Creditors' Scheme and has agreed to effect the compromise of its claims in respect of the K-Line Notes Due 2013 either within the Creditors' Scheme or pursuant to a separate settlement agreement conditional upon the Creditors' Scheme becoming effective.

Except for the reversal of overprovision of interest on K-Line Notes Due 2013 for prior years, the Company has not recognised any gain derived from the Creditors' Scheme for the year ended 31 December 2014.

Details of the Support Agreement are set out in the announcements of the Company dated 5 May 2014 and 30 May 2014.

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35. AMOUNTS DUE TO THE ULTIMATE/IMMEDIATE HOLDING COMPANY

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current				
Amounts due to the ultimate holding company				
– Partial receipt of the disposal consideration of Titan Quanzhou Shipyard	**943,291**	946,711	**943,291**	946,711
– Interest payable	**4,212**	5,019	**–**	–
	947,503	951,730	**943,291**	946,711
Amount due to the immediate holding company				
– Interest payable	**87**	27	**87**	27
	947,590	951,757	**943,378**	946,738
Non-current				
Amount due to the immediate holding company				
– Interest payable	**456**	–	**456**	–

Interest payable to the ultimate holding company were unsecured, interest-free and repayable in accordance with the periods specified in the loan agreements. Other amounts due to the ultimate holding company was unsecured, interest-free and had no fixed terms of repayment.

Amount due to the immediate holding company was unsecured, interest-free and repayable together with the principal of the loan from the immediate holding company when due.

36. LOANS FROM THE ULTIMATE/IMMEDIATE HOLDING COMPANY

	2014			2013		
The Group	**Effective interest rate (%)**	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Unsecured loans						
– ultimate holding company (Note a)	–	–	–	5.60-7.84	2014	95,283
– immediate holding company (Note b)	2.00	Repayable on demand	3,000	–	–	–
			3,000			95,283
Non-current						
Unsecured loans						
– ultimate holding company (Note a)	6.09-7.03	2021	102,293	–	–	–
Secured loan						
– immediate holding company (Note b)	2.00	2016	48,681	2.00	2018	3,000
			150,974			3,000
The Company						
Current						
Unsecured loan						
– immediate holding company (Note b)	2.00	Repayable on demand	3,000	–	–	–
			3,000			–
Non-current						
Unsecured loan						
– immediate holding company (Note b)	2.00	2016	48,681	2.00	2018	3,000
			48,681			3,000

36. LOANS FROM THE ULTIMATE/IMMEDIATE HOLDING COMPANY (Continued)

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans repayable:				
Within one year or repayable on demand	**3,000**	95,283	**3,000**	–
In the second to fifth years, inclusive	**110,057**	3,000	**48,681**	3,000
After five years	**40,917**	–	**–**	–
	153,974	98,283	**51,681**	3,000

Notes:

a) The loans from the ultimate holding company denominated in RMB with the amount of RMB80,247,000 (equivalent to approximately HK$102,293,000) (2013: RMB74,479,000 (equivalent to approximately HK$95,283,000)) are unsecured, repayable beyond one year and carry an interest rate at basic lending rate of the People's Bank of China under same period and same grade per annum.

b) 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$62,240,000 at an interest rate of 2% per annum payable on maturity, subject to the dismissal or stay or adjournment of the hearing of the SPHL Petition and the application of provisional liquidations to allow time for the Company to implement the Titan Debt Restructuring Proposal. Details of the above was set out in the Company's announcement dated 15 March 2013.

However, the events of default have occurred. On 28 June 2013, Titan Ocean Pte Ltd, a wholly owned subsidiary in Singapore, was ordered to be wound up by the High Court of the Republic of Singapore under the provisions of the Companies Act (Cap 50). 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 limited powers, therefore the loans from the immediate holding company of HK$3,000,000 was then presented as current liabilities as at 31 December 2014.

On 13 March 2014, 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 HK$62,240,000 at an interest rate of 2% per annum payable on maturity subject to the conditions precedent and event of default. Details of the above were set out in the Company's announcement dated 11 March 2014.

c) The loans from the ultimate holding company denominated in RMB with the amount of RMB1,526,742,000 (equivalent to approximately HK$1,946,165,000) (2013: RMB1,429,497,000 (equivalent to approximately HK$1,828,812,000)) classified as disposal group held for sale (note 6(b)) are repayable beyond one year and carry an interest rate at the basic lending rate of the People's Bank of China per annum. They are secured by:

i) construction in progress with an aggregate carrying value of HK$833,371,000 (2013: HK$836,392,000);

ii) machinery with an aggregate net carrying value of HK$118,659,000 (2013: HK$147,319,000); and

iii) buildings with an aggregate net carrying value of HK$380,174,000 (2013: HK$394,161,000).

36. LOANS FROM THE ULTIMATE/IMMEDIATE HOLDING COMPANY (Continued)

Notes: (Continued)

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

	Carrying amount		**Fair value**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans from the ultimate holding company	**102,293**	–	**107,528**	–
Loans from the immediate holding company	**48,681**	3,000	**49,965**	3,199
	150,974	3,000	**157,493**	3,199

The fair values of the loans from the ultimate holding company and immediate holding company of the Group are estimated by discounting the expected future cash flows at prevailing interest rates.

37. DEFERRED TAX LIABILITIES

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

The Group	**Accelerated capital allowances HK$'000**
At 1 January 2013 and 31 December 2013	–
Deferred tax charged to other comprehensive income (Note 12)	34,219
Deferred tax credited to the consolidated statement of profit or loss (Note 12)	(127)
Exchange realignment	29
At 31 December 2014	**34,121**

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

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37. DEFERRED TAX LIABILITIES (Continued)

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

At 31 December 2014 and 2013, 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 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 2014 and 2013, 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.

At 31 December 2014, the continuing operations of the Group and the Company have unused tax losses of HK$84,503,000 (2013: HK$64,046,000) and HK$28,894,000 (2013: HK$11,661,000), respectively, available for offset against future profits. Among such, HK$60,752,000 (2013: HK$30,752,000) 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.

38. SHARE CAPITAL

Shares

	The Group			
	2014		2013	
	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 (Note 33)	**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 2014 and 2013, none of the Convertible Notes Due 2015 were converted into ordinary shares.

b) All ordinary shares rank pari passu in all respects.

38. SHARE CAPITAL (Continued)

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 39 to the consolidated financial statements.

39. 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.

39. 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.

39. 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 2014	Granted during the year	Lapsed during the year	Exercised during the year	At 31 December 2014	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$
Director								
Mr. Wong Siu Hung Patrick	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	1,450,000	–	(1,000,000)	–	450,000	1 February 2008	1 February 2010 to 31 January 2015	0.45
	6,230,000	–	(1,160,000)	–	5,070,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	5,420,000	–	(320,000)	–	5,100,000	1 February 2008	1 February 2012 to 31 January 2017	0.45
	6,000,000	–	(380,000)	–	5,620,000	1 February 2008	1 February 2013 to 31 January 2018	0.45
	19,100,000	–	(2,860,000)	–	16,240,000			
	39,100,000	–	(2,860,000)	–	36,240,000			

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39. 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 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. Wong Siu Hung Patrick	10,000,000	–	–	–	10,000,000	1 February 2008	1 February 2010 to 31 January 2015	0.45
	10,000,000	–	–	–	10,000,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	20,000,000	–	–	–	20,000,000			
Other employees								
In aggregate	7,975,000	–	(7,975,000)	–	–	20 February 2006	20 February 2008 to 19 February 2013	0.72
	7,050,000	–	(5,600,000)	–	1,450,000	1 February 2008	1 February 2010 to 31 January 2015	0.45
	33,196,000	–	(26,966,000)	–	6,230,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	24,706,000	–	(19,286,000)	–	5,420,000	1 February 2008	1 February 2012 to 31 January 2017	0.45
	26,988,000	–	(20,988,000)	–	6,000,000	1 February 2008	1 February 2013 to 31 January 2018	0.45
	99,915,000	–	(80,815,000)	–	19,100,000			
	119,915,000	–	(80,815,000)	–	39,100,000			

* Options granted on 20 February 2006 were vested to grantees in two tranches. 50% of such options were vested on 20 February 2007 with an exercise period from 20 February 2007 to 19 February 2012 and the remaining 50% were vested on 20 February 2008 with an exercise period from 20 February 2008 to 19 February 2013. The closing price of the Company's shares on 17 February 2006 (i.e. the date before grant) was HK$0.72.

Options granted on 1 February 2008 were vested to grantees in four tranches. 20% of such options were vested on 1 February 2010 with an exercise period from 1 February 2010 to 31 January 2015; 40% of such options were vested on 1 February 2011 with an exercise period from 1 February 2011 to 31 January 2016; 20% of such options were vested on 1 February 2012 with an exercise period from 1 February 2012 to 31 January 2017 and 20% of such options were vested on 1 February 2013 with an exercise period from 1 February 2013 to 31 January 2018. The closing price of the Company's shares on 31 January 2008 (i.e. the date before grant) was HK$0.435.

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

39. 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 36,240,000 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 36,240,000 additional ordinary shares of the Company and additional share capital of HK$362,400 and share premium of HK$15,945,600 (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:

	2014		2013	
	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	**0.450**	**39,100,000**	0.468	119,915,000
Lapsed	**0.450**	**(2,860,000)**	0.477	(80,815,000)
Outstanding at 31 December	**0.450**	**36,240,000**	0.450	39,100,000

None (2013: None) of the 36,240,000 outstanding options (2013: 39,100,000) has been exercised during the year ended 31 December 2014.

No diluted earnings per share for the year ended 31 December 2014 has been presented as the exercise price of the share options outstanding during the year was higher than the average market price of the Company's shares for the year ended 31 December 2014. No diluted loss per share for the year ended 31 December 2013 has been presented as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year ended 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

40. DEFICITS

a) The 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 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	7(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 and 1 January 2014		2,473,241	18,261	6,236	175	–	150,650	(10,451,095)	(7,802,532)
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**108,105**	**2,767**	**3,779,374**	**3,890,246**
Released upon deconsolidation of subsidiaries	7(a)	**–**	**–**	**–**	**–**	**–**	**1,446**	**–**	**1,446**
Transfer to accumulated losses upon lapse of share options after vesting periods		**–**	**–**	**(452)**	**–**	**–**	**–**	**452**	**–**
At 31 December 2014		**2,473,241**	**18,261**	**5,784**	**175**	**108,105**	**154,863**	**(6,671,269)**	**(3,910,840)**

40. DEFICITS (Continued)

a) The 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 upon reclassification to investment property.

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.

40. DEFICITS (Continued)

b) The 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 2012 and 1 January 2013		2,473,241	60,916	20,171	(5,623,771)	(3,069,443)
Total comprehensive loss for the year	13	–	–	–	(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 and 1 January 2014		2,473,241	60,916	6,236	(6,020,536)	(3,480,143)
Total comprehensive loss for the year	13	**–**	**–**	**–**	**(34,536)**	**(34,536)**
Transfer to accumulated losses upon lapse of share options after vesting period		**–**	**–**	**(452)**	**452**	**–**
At 31 December 2014		**2,473,241**	**60,916**	**5,784**	**(6,054,620)**	**(3,514,679)**

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.

Distributable reserves

At 31 December 2014, the Company did not have reserves available for distribution.

41. OPERATING LEASE ARRANGEMENTS

a) As lessor

At 31 December 2014 and 2013, the Group did not lease out any leasehold land and buildings under operating lease arrangements to third parties.

b) As lessee

The Group leases office premise, warehouse and staff quarters under operating lease arrangements. At 31 December 2014, leases for office premise, warehouse and staff quarters are negotiated for terms ranging from one to three years (2013: one to three years).

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Office premise, warehouse and staff quarters*		
Within one year	**3,897**	3,845
In the second to fifth years, inclusive	**–**	3,665
	3,897	7,510

* At 31 December 2014 and 2013, such commitments included the disposal group classified as held for sale.

42. COMMITMENTS

	The Group	
	2014	2013
	HK$'000	HK$'000
Commitments for shipbuilding and ship repair facilities in Mainland China*	**867,953**	870,948

* At 31 December 2014 and 2013, such commitments were associated with the disposal group classified as held for sale.

43. GUARANTEES

As at 31 December 2014, guarantees with aggregated amounts of HK$321,996,000 (2013: HK$346,978,000) 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 which was put into liquidation in 2014 and (iii) the K-Line Notes Due 2013.

As at 31 December 2014, an amount of HK$321,996,000 (2013: HK$346,978,000) has been recognised in the Company's statement of financial position.

As at 31 December 2014, guarantees in the aggregate amount of HK$113,155,000 (2013: HK$Nil) had been provided to a deconsolidated subsidiary to ship owners for the charter hire expenses. They had been utilised and recognised as liabilities in the consolidated statement of financial position.

Other than those as disclosed above, the Group and the Company had no other material guarantees outstanding as at 31 December 2014 and 2013.

44. CONTINGENT LIABILITIES

Arbitrations

Arbitrations between KTL Mayfair Inc. ("Mayfair") and the Company and the Arbitrations between Mayfair and 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.

On 5 May 2014, the Company announced that the Company and TSL entered into a settlement agreement (the "Settlement Agreement") with Camden, Edinburgh Navigation S.A. ("Edinburgh") and Mayfair (collectively, the "Creditors") on 2 May 2014, pursuant to which the parties have agreed:

a) on the amounts of the claims by Camden, Edinburgh and Mayfair (collectively, the "Creditor Debt") to be recognsied as unsecured claims (the "Agreed Claim Amounts") in the Restructuring by way of the Creditors' Scheme as announced by the Company on 25 November 2013;

b) that subject to and upon receipt by the Creditors of the full cash payment under the Creditors' Scheme of HK$0.10 for every HK$1.00 of the Agreed Claim Amounts (the "Settlement Payment"), the parties will be released from all liabilities arising out of or in connection with the Creditor Debt, the Creditor Debt Documents and the subject matter thereof and any previous arrangement between the Company, TSL and the Creditors in relation to the Arbitration Proceedings;

c) that promptly and in any event within three business days of the date of the Settlement Agreement, the parties will take all steps reasonably required to effect a stay of the Arbitration Proceedings; and

d) that promptly and in any event within three business days of the date of the Settlement Payment has been made, the parties will take all steps to inform the arbitral tribunal that the Arbitration Proceedings have been settled and/or terminated.

44. CONTINGENT LIABILITIES (Continued)

Arbitrations (Continued)

Arbitrations between KTL Mayfair Inc. ("Mayfair") and the Company and the Arbitrations between Mayfair and TSL (Continued)

Further, each of the Creditors has agreed under the Settlement Agreement that:

i) during the Support Period, it will take any actions that are reasonably required to facilitate the Restructuring, including taking all reasonable steps necessary to vote in favor of the Creditors' Scheme;

ii) until expiry of the Support Period or such other period as agreed between the parties, it will not oppose any application by the Company for any adjournment of the petition for the winding up of the Company pending before the Bermuda Court; and

iii) subject to the terms of the Settlement Agreement, it will not, during the Support Period, commence any legal or Arbitration Proceedings or insolvency proceedings against the Company or any of its subsidiaries in relation to the Creditor Debt Documents.

"Support Period", under the Settlement Agreement means the period between the date of the Settlement Agreement and the date upon which the Settlement Agreement terminates, being the earlier of:

1) 31 December 2014 (or such later date as may be agreed between the parties);

2) the date on which a final non appealable order of a governmental body of competent jurisdiction first comes into effect prohibiting the implementation and consummation of the Restructuring;

3) the date on which an order is made in any jurisdiction for the winding up of the Company;

4) the Company's failure, within 5 business days of receipt of a notice from any of the Creditors notifying the Company its intention to treat the Settlement Agreement as having terminated, to withdraw a condition, term or modification of the Restructuring proposed by the Company to the Bermuda Court or the Company's unsecured creditors, the addition of which condition or term to the Restructuring or which modification of the Restructuring would affect certain rights of the Company's unsecured creditors under the Creditors' Scheme as set out in the Settlement Agreement; and

5) the date on which the scheme document is deposited with the Bermuda Registrar of Companies following sanction of the Creditors' Scheme by the Bermuda Court and approval by qualifying majorities of creditors.

The Scheme Meetings were held on 22 October 2014 as scheduled to consider and, if thought fit, approve the Creditors' Scheme. Mayfair present and voting by proxy has voted in favour of the Creditors' Scheme. Accordingly the Creditors' Scheme was duly approved at the Scheme Meetings. Further details in respect of the above are included in the Company's announcement dated 22 October 2014.

The Creditors' Scheme was sanctioned by the Bermuda Court on 5 November 2014 and became effective and binding on all Scheme Creditors (as defined in the Creditors' Scheme) upon a copy of the Order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Act on 5 November 2014. Further details in rspect of the above are included in the Company's announcement dated 6 November 2014.

At the hearing held on 6 March 2015 (Bermuda time), the Bermuda Court ordered to extend the long-stop date of the Creditors' Scheme of the Company to 31 July 2015. Further details in respect of the above are included in the Company's announcement dated 9 March 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

44. CONTINGENT LIABILITIES (Continued)

Arbitrations (Continued)

Arbitration between the Company and Edinburgh; Arbitration between the Company and Camden; Arbitration between Edinburgh and TSL and Arbitration between Camden and TSL

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

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

On 5 May 2014, the Company announced that the Company and TSL entered into the Settlement Agreement with the Creditors on 2 May 2014, pursuant to which the parties have agreed:

a) on the Agreed Claim Amounts in the Restructuring by way of the Creditors' Scheme as announced by the Company on 25 November 2013;

b) that subject to and upon receipt by the Creditors of the full cash payment under the Creditors' Scheme of HK$0.10 for every HK$1.00 of the Settlement Payment, the parties will be released from all liabilities arising out of or in connection with the Creditor Debt, the Creditor Debt Documents and the subject matter thereof and any previous arrangement between the Company, TSL and the Creditors in relation to the Arbitration Proceedings;

c) that promptly and in any event within three business days of the date of the Settlement Agreement, the parties will take all steps reasonably required to effect a stay of the Arbitration Proceedings; and

d) that promptly and in any event within three business days of the date of the Settlement Payment has been made, the parties will take all steps to inform the arbitral tribunal that the Arbitration Proceedings have been settled and/or terminated.

Further, each of the Creditors has agreed under the Settlement Agreement that:

i) during the Support Period, it will take any actions that are reasonably required to facilitate the Restructuring, including taking all reasonable steps necessary to vote in favour of the Creditors' Scheme;

ii) until expiry of the Support Period or such other period as agreed between the parties, it will not oppose any application by the Company for any adjournment of the petition for the winding up of the Company pending before the Bermuda Court; and

iii) subject to the terms of the Settlement Agreement, it will not, during the Support Period, commence any legal or Arbitration Proceedings or insolvency proceedings against the Company or any of its subsidiaries in relation to the Creditor Debt Documents.

44. CONTINGENT LIABILITIES (Continued)

Arbitrations (Continued)

Arbitration between the Company and Edinburgh; Arbitration between the Company and Camden; Arbitration between Edinburgh and TSL and Arbitration between Camden and TSL (Continued)

"Support Period", under the Settlement Agreement means the period between the date of the Settlement Agreement and the date upon which the Settlement Agreement terminates, being the earlier of:

1) 31 December 2014 (or such later date as may be agreed between the parties);

2) the date on which a final non appealable order of a governmental body of competent jurisdiction first comes into effect prohibiting the implementation and consummation of the Restructuring;

3) the date on which an order is made in any jurisdiction for the winding up of the Company;

4) the Company's failure, within 5 business days of receipt of a notice from any of the Creditors notifying the Company its intention to treat the Settlement Agreement as having terminated, to withdraw a condition, term or modification of the Restructuring proposed by the Company to the Bermuda Court or the Company's unsecured creditors, the addition of which condition or term to the Restructuring or which modification of the Restructuring would affect certain rights of the Company's unsecured creditors under the Creditors' Scheme as set out in the Settlement Agreement; and

5) the date on which the scheme document is deposited with the Bermuda Registrar of Companies following sanction of the Creditors' Scheme by the Bermuda Court and approval by qualifying majorities of creditors.

The Scheme Meetings were held on 22 October 2014 as scheduled to consider and, if thought fit, approve the Creditors' Scheme. Edinburgh and Camden present and voting by proxy has voted in favour of the Creditors' Scheme. Accordingly the Creditors' Scheme was duly approved at the Scheme Meetings. Further details in respect of the above are included in the Company's announcement dated 22 October 2014.

The Creditors' Scheme was sanctioned by the Bermuda Court on 5 November 2014 and became effective and binding on all Scheme Creditors (as defined in the Creditors' Scheme) upon a copy of the Order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Act on 5 November 2014. Further details in respect of the above are included in the Company's announcement dated 6 November 2014.

At the hearing held on 6 March 2015 (Bermuda time), the Bermuda Court ordered to extend the long-stop date of the Creditors' Scheme of the Company to 31 July 2015. Further details in respect of the above are included in the Company's announcement dated 9 March 2015.

44. CONTINGENT LIABILITIES (Continued)

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$310,800,000) 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, among 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 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 Convertible Notes Due 2015 and the PIK Notes Due 2015.

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

On 10 May 2013 (Bermuda time), the Bermuda Court handed down its ruling in relation to the Company's application to strike out the SPHL Petition and found that it would exercise its discretion to strike out the SPHL Petition (the "10 May Decision"). The Bermuda Court further ordered that the actual striking out of the SPHL Petition be adjourned to 23 July 2013 in order to facilitate the hearing of an application by Camden to be substituted as the petitioner (the "Camden Substitution Application"). Further details in respect of the above are included in the Company's announcement dated 13 May 2013.

Camden claimed that TSL, a subsidiary of the Company, failed to pay certain hiring charges to Camden pursuant to a bareboat charter party contract and that the Company was liable to Camden for such hiring charges plus interest thereon in the sum of approximately 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 SPHL Petition pending arbitration between the Company and Camden or (b) strike out the SPHL 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 SPHL Petition 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;

44. CONTINGENT LIABILITIES (Continued)

Bermuda Proceedings (Continued)

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").

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.

44. CONTINGENT LIABILITIES (Continued)

Bermuda Proceedings (Continued)

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.

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 Act 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;

44. CONTINGENT LIABILITIES (Continued)

Bermuda Proceedings (Continued)

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

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

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

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

iii) the JPLs shall be entitled to receive advance materials, receive advance notice of, and, at the expense of the Company, attend all Board meetings and such meetings of management as the JPLs request;

iv) the Company shall at all times comply with the Funding Terms referred to 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;

44. CONTINGENT LIABILITIES (Continued)

Bermuda Proceedings (Continued)

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 (Bermuda time). Further details are included in the Company's announcement dated 22 April 2014.

At the hearing held on 16 May 2014 (Bermuda time), the Bermuda Court ordered a further adjournment of the Camden Petition to 11 July 2014 (Bermuda time). Further details in respect of the above are included in the Company's announcement dated 19 May 2014.

At the hearing held on 4 June 2014, SPHL filed a notice of withdrawal of the appeal dated 29 May 2014.

At the hearing held on 11 July 2014 (Bermuda time), the Bermuda Court ordered a further adjournment of the Camden Petition to 8 August 2014 (Bermuda time). The Bermuda Court further ordered that the costs and fees of the JPLs and their advisors were to be paid out of the liquidation account. Further details in respect of the above are included in the Company's announcement dated 15 July 2014.

At the hearings held on 8 August 2014 (Bermuda time), 3 October 2014 (Bermuda time), 31 October 2014 (Bermuda time), 21 November 2014 (Bermuda time), 16 January 2015 (Bermuda time), 13 March 2015 (Bermuda time) and 27 March 2015 (Bermuda time), the Bermuda Court ordered a further adjournment of the Camden Petiton to 3 October 2014 (Bermuda time), 31 October 2014 (Bermuda time), 21 November 2014 (Bermuda time), 16 January 2015 (Bermuda time), 13 March 2015 (Bermuda time), 27 March 2015 (Bemuda time) and 10 April 2015 (Bermuda time), respectively. Further details in respect of the above are included in the Company's announcement dated 11 August 2014, 6 October 2014, 3 November 2014, 25 November 2014, 19 January 2015, 16 March 2015 and 30 March 2015 respectively.

BVI Proceedings

On 18 June 2012, the Company received from Saturn Storage Limited ("SSL") two notices to exercise its redemption rights under the 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 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 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.

44. CONTINGENT LIABILITIES (Continued)

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 proceeding, however, up to the date of this report, the liquidation procedure of TGIL has commenced and the liquidation is not completed.

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, among 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, among 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 has obtained the permission from the Bermuda Court to enter into a deed of settlement with SSL and other relevant parties relating to the Hong Kong proceedings on 12 December 2014. Further details in respect of the above are included in the Company announcement dated 2 January 2015.

The Hong Kong Court fixed a second case management conference for hearing on 21 November 2014 and further adjourned to 13 March 2015. On 12 March 2015, the Hong Kong Court ordered (by consent) that (i) the second case management conference due to be heard on 13 March 2015 be vacated and adjourned to 7 July 2015; and (ii) all further proceedings be stayed until 30 April 2015 pending finalisation of the global settlement among the parties. Further details in respect of the above are included in the Company's announcement dated 25 November 2014 and 30 March 2015 respectively.

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44. CONTINGENT LIABILITIES (Continued)

PRC Proceedings

On 11 December 2010, the Company entered into (i) 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 RMB1,465,670,000 if Titan Quanzhou Shipyard's profit targets for the two years ending 31 December 2012 were not met. Pursuant to a supplemental agreement signed in 2011, such net profit targets were cancelled and the consideration for the proposed disposal was fixed at RMB1,665,670,000 (equivalent to approximately HK$2,123,260,000).

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, among 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 上海市高级人民法院 (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, among 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.

44. CONTINGENT LIABILITIES (Continued)

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 the PRC legal advice, the Company understood that the Assignment was subject to the approval of Fujian Department of Foreign Trade and Economic Cooperation Bureau, being the approval authority which originally approved the GCL Sale and Purchase Agreement (the "Original Approval Authority"). Further details in respect of the above are included in the Company's 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.

The GCL Sale and Purchase Agreement will be terminated subject to certain terms and conditions. Further details of the termination will be disclosed in a separate announcement to be released by the Company.

Other than the contingent liabilities as disclosed above, the Group and the Company had no other material contingent liabilities as at 31 December 2014 and 31 December 2013.

45. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements and in the directors' report under heading of "Connected Transactions", the Group had the following material transactions with related parties during 2014 and 2013:

i) Guarantees to GZE

At 31 December 2014, a 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 RMB1,526,742,000 (equivalent to approximately HK$1,946,165,000) (2013: RMB1,429,497,000 (equivalent to approximately HK$1,828,812,000)) granted to Titan Quanzhou Shipyard.

ii) Loans from the ultimate holding company

At 31 December 2014, 嵊泗海鑫石油有限公司 (Shengsi Haixin Petroleum Co., Ltd) ("Shengsi Haixin") had a loan from GZE in the principal amount of RMB36,367,000 (equivalent to approximately HK$46,358,000 (2013: RMB35,479,000 (equivalent to approximately HK$45,389,000)) and interest accrued of RMB1,497,000 (equivalent to approximately HK$1,909,000) (2013: 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 beyond one year.

At 31 December 2014, 广州泰山石化有限公司 (Guangzhou Titan Petrochemicals Co., Ltd.) ("Guangzhou Titan") had a loan from GZE in the principal amount of RMB43,880,000 (equivalent to approximately HK$55,935,000) (2013: RMB39,000,000 (equivalent to approximately HK$49,894,000)) and interest accrued of RMB1,807,000 (equivalent to approximately HK$2,303,000) (2013: RMB3,719,000) (equivalent to approximately HK$4,758,000)). The loan was guaranteed by 泉州振戎石化码头有限公司 (formerly known as 泉州泰山石化码头发展有限公司), 广州南沙振戎仓储有限公司 (formerly known as 南方石化仓储（广州南沙）有限公司 and 广州南沙泰山石化发展有限公司) and Titan Quanzhou Shipyard, carried at basic lending rate of People's Bank of China under same period and same grade and repayable beyond one year.

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 it has transferred to GZE the rights and interests in (i) the Indebtedness owed by Titan Quanzhou Shipyard; and (ii) the collateral and guarantee granted in respect of the Indebtedness in (i) above. At 31 December 2014, the loan due to GZE was RMB1,526,742,000 (equivalent to approximately HK$1,946,165,000) (31 December 2013: RMB1,429,497,000 (equivalent to approximately HK$1,828,812,000)) and interest accrued of RMB62,857,000 (equivalent to approximately HK$80,125,000) (31 December 2013: 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 beyond one year.

Further details in respect of above are included in the Company's announcements dated 29 October 2013, 14 January 2014, 6 March 2014 and 1 April 2014.

iii) Loans from the immediate holding company

At 31 December 2014, the Group had loans from Fame Dragon in the principal amount of HK$51,681,000 (2013: HK$3,000,000), interest accrued of HK$543,000 (2013: HK$27,000).

The loans were unsecured, carried interest at 2% per annum and were repayable from 2 to 5 years from the dates of entering into the loan agreements. The accrued interest is interest-free, unsecured and was repayable together with the principal when due. However, as the Company has triggered the events of default as detailed in note 36, the loans from the immediate holding company of HK$3,000,000 was then presented as current liabilities as at 31 December 2014.

45. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

iii) Loans from the immediate holding company (Continued)

Further details in respect of above are included in the Company's announcements dated 6 March 2014, 11 March 2014 and 1 April 2014.

iv) Amounts due to the ultimate holding company

At 31 December 2014, the Group had an amount due to GZE of RMB740,000,000 (equivalent to approximately HK$943,291,000) (2013: RMB740,000,000 (equivalent to approximately HK$946,711,000)) in respect of the Company entered into an assignment of the sale and purchase of the 95% equity interest in Titan Quanzhou Shipyard with GZE. The balance was unsecured, interest-free and had no fixed terms of repayment.

Further details in respect of above are included in the Company's announcements dated 25 November 2013, 30 December 2013, 14 January 2014 and 5 February 2014.

v) Tenancy agreement with Titan Oil Pte Ltd ("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 ended 31 December 2013, the Group paid total rent of SG$27,000 (equivalent to approximately HK$169,000) for the lease of the office premises, which was charged based on prevailing market rates. No rent was paid to Titan Oil during the year ended 31 December 2014.

vi) Advances from/to the Company owned by Mr. Tsoi Tin Chun

At 31 December 2014, the Group had an amount due from a Company which is owned by Mr. Tsoi Tin Chun (the former Chairman and director of the Company) of RMB874,000 (equivalent to approximately HK$1,114,000) (2013: RMB874,000 (equivalent to approximately HK$1,118,000)), however, based on estimated irrecoverable amounts determined by reference to past experience, the Group recognised an impairment loss of RMB874,000 (equivalent to approximately HK$1,114,000) (2013: Nil). At 31 December 2014, the Group also had an amount due to a Company which is owned by Mr. Tsoi Tin Chun (the former Chairman and director of the Company) of RMB14,319,000 (equivalent to approximately HK$18,253,000) (2013: RMB14,319,000 (equivalent to approximately HK$18,319,000)) which were unsecured, interest-free and had no fixed terms of repayment.

vii) Compensation of key management personnel of the Group

	2014 **HK$'000**	2013 HK$'000
Short term employee benefits	**11,116**	10,855
Post-employment benefits	**68**	45
Total compensation paid to key management personnel	**11,184**	10,900

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

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46. 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:

The Group

Financial assets

	Financial assets at fair value through profit or loss		Loans and receivables		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Accounts receivable	**–**	–	**–**	181	**–**	181
Financial assets included in deposits and other receivables	**–**	–	**142,508**	157,649	**142,508**	157,649
Pledged deposits and restricted cash	**–**	–	**26,520**	487,059	**26,520**	487,059
Cash and cash equivalents	**–**	–	**1,315**	19,664	**1,315**	19,664
	–	–	**170,343**	664,553	**170,343**	664,553

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Accounts payable	**–**	–	**217,731**	351,408	**217,731**	351,408
Financial liabilities included in other payables and accruals	**–**	–	**767,475**	4,519,212	**767,475**	4,519,212
Interest-bearing bank and other loans	**–**	–	**5,850**	5,850	**5,850**	5,850
Loans from the ultimate holding company	**–**	–	**102,293**	95,283	**102,293**	95,283
Loans from the immediate holding company	**–**	–	**51,681**	3,000	**51,681**	3,000
Amounts due to the ultimate holding company	**–**	–	**947,503**	951,730	**947,503**	951,730
Amount due to the immediate holding company	**–**	–	**543**	27	**543**	27
Senior Notes Due 2012	**–**	–	**882,329**	962,062	**882,329**	962,062
Convertible Notes Due 2015	**–**	–	**441,753**	499,693	**441,753**	499,693
PIK Notes Due 2015	**–**	–	**88,657**	100,243	**88,657**	100,243
Liability portion of Titan preferred shares	**–**	–	**420,717**	406,110	**420,717**	406,110
K-Line Notes Due 2013	**–**	–	**202,896**	227,292	**202,896**	227,292
	–	–	**4,129,428**	8,121,910	**4,129,428**	8,121,910

46. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The Company

Financial assets

	Financial assets at fair value through profit or loss		Loans and receivables		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Financial assets included in deposits and other receivables	**–**	–	**124**	14	**124**	14
Cash and cash equivalents	**–**	–	**295**	261	**295**	261
	–	–	**419**	275	**419**	275

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts due to subsidiaries	**–**	–	**2,767**	9,464	**2,767**	9,464
Financial liabilities included in other payables and accruals	**–**	–	**281,862**	131,271	**281,862**	131,271
Financial guarantee contracts	**–**	–	**321,996**	346,978	**321,996**	346,978
Loans from the immediate holding company	**–**	–	**51,681**	3,000	**51,681**	3,000
Amounts due to the ultimate holding company	**–**	–	**943,291**	946,711	**943,291**	946,711
Amount due to the immediate holding company	**–**	–	**543**	27	**543**	27
Senior Notes Due 2012	**–**	–	**882,329**	962,062	**882,329**	962,062
Convertible Notes Due 2015	**–**	–	**441,753**	499,693	**441,753**	499,693
PIK Notes Due 2015	**–**	–	**88,657**	100,243	**88,657**	100,243
Liability portion of Titan preferred shares	**–**	–	**420,717**	406,110	**420,717**	406,110
	–	–	**3,435,596**	3,405,559	**3,435,596**	3,405,559

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

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47. 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, financial assets included in deposits and other receivables, pledged deposits and restricted cash, cash and cash equivalents, accounts payable, financial liabilities included in other payables and accruals, interest-bearing bank and other loans, loans from the ultimate holding company, loans from the immediate holding company, amounts due to the ultimate holding company, amount due to the immediate holding company, Senior Notes Due 2012, Convertible Notes Due 2015, PIK Notes Due 2015, liability portion of Titan preferred shares and K-Line Notes Due 2013 approximate to their carrying amounts largely due to the short term maturities of these instruments.

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.

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 and liabilities measured at fair value:

The Group and the Company did not have any financial assets nor liabilities measured at fair value as at 31 December 2014 and 2013.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank and other loans, Senior Notes Due 2012, Convertible Notes Due 2015, PIK Notes Due 2015, K-Line Notes Due 2013, loans from the immediate holding company, loans from the ultimate holding company, 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 deposits and other receivables and accounts payable, which arise directly from its operations.

The Group is principally exposed to interest rate risks, credit risks, liquidity risks and foreign currency risks. The Directors review and agree 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 profit/(loss) before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**(Decrease)/ increase in profit before tax (increase)/ decrease in loss before tax** HK$'000
2014		
RMB	**29**	**(757)**
RMB	**(29)**	**757**
2013		
United States dollar ("US$")	10	(6)
US$	(10)	6

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 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, pledged deposits and restricted cash, deposits and other receivables, 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 43 to the consolidated financial statements.

Apart from 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 the receivable from the liquidator of TGIL did not exceed 5% of the Group's total assets at any time during the year.

The credit risk on cash and cash equivalents and pledged deposits and restricted cash is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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

48. 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:

The Group

	Weighted average effective interest rate		On demand or within one year		Over one year		Total		Total carrying amount	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Accounts payable	**–**	–	**217,731**	351,408	**–**	–	**217,731**	351,408	**217,731**	351,408
Financial liabilities included in other payables and accruals	**–**	–	**767,475**	4,519,600	**–**	–	**767,475**	4,519,600	**767,475**	4,519,212
Interest-bearing bank and other loans	**0.00**	6.63	**5,850**	5,850	**–**	–	**5,850**	5,850	**5,850**	5,850
Loans from the ultimate holding company	**6.09-7.03**	5.60-7.84	**–**	95,283	**102,293**	–	**102,293**	95,283	**102,293**	95,283
Loans from the immediate holding company	**2.00**	2.00	**3,000**	–	**48,681**	3,000	**51,681**	3,000	**51,681**	3,000
Amounts due to the ultimate holding company	**–**	–	**953,881**	958,273	**23,046**	–	**976,927**	958,273	**947,503**	951,730
Amount due to the immediate holding company	**–**	–	**147**	87	**1,950**	–	**2,097**	87	**543**	27
Senior Notes Due 2012	**0.00**	8.50	**882,329**	1,032,254	**–**	–	**882,329**	1,032,254	**882,329**	962,062
Convertible Notes Due 2015	**0.00**	12.22	**441,753**	543,069	**–**	–	**441,753**	543,069	**441,753**	499,693
PIK Notes Due 2015	**0.00**	8.50	**88,657**	105,554	**–**	–	**88,657**	105,554	**88,657**	100,243
Liability portion of Titan preferred shares	**4.70**	4.70	**420,717**	406,110	**–**	–	**420,717**	406,110	**420,717**	406,110
K-Line Notes Due 2013	**0.00**	2.00	**202,896**	231,770	**–**	–	**202,896**	231,770	**202,896**	227,292
			3,984,436	8,249,258	**175,970**	3,000	**4,160,406**	8,252,258	**4,129,428**	8,121,910

The Company

	Weighted average effective interest rate		On demand or within one year		Over one year		Total		Total carrying amount	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts due to subsidiaries	**–**	–	**2,767**	9,464	**–**	–	**2,767**	9,464	**2,767**	9,464
Financial liabilities included in other payables and accruals	**–**	–	**281,862**	131,358	**–**	–	**281,862**	131,358	**281,862**	131,271
Financial guarantee contracts	**–**	–	**321,996**	346,978	**–**	–	**321,996**	346,978	**321,996**	346,978
Loans from the immediate holding company	**2.00**	2.00	**3,000**	–	**48,681**	3,000	**51,681**	3,000	**51,681**	3,000
Amounts due to the ultimate holding company	**–**	–	**943,291**	946,711	**–**	–	**943,291**	946,711	**943,291**	946,711
Amount due to the immediate holding company	**–**	–	**147**	87	**1,950**	–	**2,097**	87	**543**	27
Senior Notes Due 2012	**0.00**	8.50	**882,329**	1,032,254	**–**	–	**882,329**	1,032,254	**882,329**	962,062
Convertible Notes Due 2015	**0.00**	12.22	**441,753**	543,069	**–**	–	**441,753**	543,069	**441,753**	499,693
PIK Notes Due 2015	**0.00**	8.50	**88,657**	105,554	**–**	–	**88,657**	105,554	**88,657**	100,243
Liability portion of Titan preferred shares	**4.70**	4.70	**420,717**	406,110	**–**	–	**420,717**	406,110	**420,717**	406,110
			3,386,519	3,521,585	**50,631**	3,000	**3,437,150**	3,524,585	**3,435,596**	3,405,559

48. 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 RMB in the PRC and US$ and Singapore dollar (the "SG$") for businesses in Singapore.

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

	%	Increase/ (decrease) in profit before tax decrease/ (increase) in loss before tax HK$'000
2014		
If RMB weakens against HK$	**2.51**	**23,679**
If SG$ weakens against HK$	**4.31**	**109**
		23,788
If RMB strengthens against HK$	**2.51**	**(23,679)**
If SG$ strengthens against HK$	**4.31**	**(109)**
		(23,788)
2013		
If RMB weakens against HK$	2.73	25,058
If RMB strengthens against HK$	2.73	(25,058)

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 2014 and 2013.

48. 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:

	The Group	
	2014	2013
	HK$'000	HK$'000
Interest-bearing bank and other loans	**271,508**	705,520
Senior Notes Due 2012	**882,329**	962,062
Convertible Notes Due 2015	**441,753**	499,693
PIK Notes Due 2015	**88,657**	100,243
K-Line Notes Due 2013	**202,896**	227,292
Loans from the ultimate holding company	**2,048,458**	1,924,095
Loans from the immediate holding company	**51,681**	3,000
Total debts	**3,987,282**	4,421,905
Total assets	**3,203,978**	3,654,882
Gearing ratio	**124%**	121%

49. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2014 (2013: Nil).

50. 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 consolidated financial statements.

51. EVENTS AFTER THE REPORTING PERIOD

Listing status

As disclosed in the announcement of the Company dated 26 November 2013, the Listing Division of the Stock Exchange issued a letter on 22 November 2013 to inform the Company that they have decided to place the Company in the second stage of delisting under Practice Note 17 to the Listing Rules and required the Company to submit a viable resumption proposal at least 10 business days before the second stage of delisting expires (i.e. 5 May 2014).

The Company has submitted the Resumption Proposal on 5 May 2014 (and the updated versions of the Resumption Proposal in response to the comments from the Stock Exchange have been submitted on 10 June 2014, 22 August 2014, 16 September 2014, 10 October 2014 and 25 November 2014 respectively). As disclosed in the Company's announcement dated 2 December 2014, the Board announced that as informed by a letter dated 1 December 2014, the Stock Exchange has decided to allow the Company to proceed with the Resumption Proposal subject to satisfying the following conditions by 31 May 2015:

1) completion of the transactions under the Resumption Proposal;

2) completion of the internal control review indicating no material deficiency;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

51. EVENTS AFTER THE REPORTING PERIOD (Continued)

Listing status (Continued)

3) withdrawal or dismissal of the winding up petition and discharge of the JPLs;

4) inclusion in a circular to the Shareholders:

   a) a profit forecast for the two years ending 31 December 2015 and 2016 together with reports from the auditors and the financial adviser under Rules 14.62(2) and (3) of the Listing Rules;

   b) a pro forma balance sheet upon completion of the Resumption Proposal; and

   c) a statement from the Directors (including the proposed directors) confirming working capital sufficiency for at least 12 months from trading resumption and a comfort letter from the auditors on the Directors' statement.

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.

Pursuant to the terms of the Management Services Agreement, a supplemental agreement has been entered into on 30 December 2014 to extend the long stop date under the Management Services Agreement from 31 December 2014 to 31 May 2015. Apart from the above, all other terms and conditions of the Management Services Agreement shall remain unchanged.

The Share Subscription Agreements

The Company entered into three subscription agreements with CGL Resources, New Berkeley and Wahen Investments (together with CGL Resources Limited ("CGL Resources"), New Berkeley Corporation ("New Berkeley") and Wahen Investments Limited ("Wahen Investments"), collectively, the "Subscribers") on 9 April 2013, 9 April 2013 and 29 April 2013, respectively, in relation to the subscription by the Subscribers of convertible bonds to be issued by the Company.

The relevant convertible bonds subscription agreements lapsed and the Subscribers separately entered into Share Subscription Agreements with the Company on 5 May 2014. The completions of the Share Subscription Agreements were subject to the fulfillment of certain conditions precedent on or before 31 December 2014 (the "Long Stop Date").

On 25 February 2015, The Company announced that as advised by FEG, CGL Resources and New Berkeley will not extend the Long Stop Date and therefore the relevant Share Subscription Agreements lapsed and became null and void. The Company is still in discussion with Wahen Investments for the extension of the Long Stop Date. Further details in respect of the above are included in the Company's announcement dated 25 February 2015.

51. EVENTS AFTER THE REPORTING PERIOD (Continued)

The Share Subscription Agreements (Continued)

On 27 March 2015, a subscription agreement has been entered into between the Company and Victory Stand Limited ("Victory Stand Subscription Agreement"), for the subscription of certain shares together with unlisted warrants of the Company. The major terms and conditions of the Victory Stand Subscription Agreement are substantially, the same as those under the share subscription agreements dated 5 May 2014 entered into by the Company with CGL Resources and New Berkeley. Details of the subscription agreement will be disclosed in the announcement to be released by the Company in due course. Further details in respect of the above are included in the Company's announcement dated 30 March 2015.

Loan agreement with Fame Dragon

On 27 February 2015, the Company entered into a loan agreement with Fame Dragon pursuant to which Fame Dragon agreed to provide a financing on request of the Company of US$10 million (equivalent to approximately HK$78 million) at an interest rate of 2% payable on maturity, repayable upon (i) 2 years or (ii) completion of the Creditors' Scheme and received dividends payable by the Liquidators of TGIL, whichever occurs earlier. The loan is unsecured. Pursuant to the loan agreement, the loan was to support the restructuring of the debts of the Company.

The Company has entered into certain agreements in relation to settlement of outstanding debts of the Group. Further announcement(s) will be made by the Company as and when appropriate.

Creditors' Scheme

By an order dated 15 September 2014, the Bermuda Court directed the Scheme Meetings of the Scheme Creditors which were then held on 22 October 2014. The Bermuda Court has ordered the Scheme Meetings with the Note Creditors and Non-Note Creditors respectively. During the Scheme Meetings, a majority in number of the Scheme Creditors present and voting, representing not less than three-fourths in value of the accepted claims of the Scheme Creditors present and voting, have voted in favor to the Creditors' Scheme. Accordingly, the Creditors' Scheme was duly approved at the Scheme Meetings.

By an order dated 5 November 2014 (Bermuda time), the Bermuda Court sanctioned the proposed Creditors' Scheme between the Company and its Scheme Creditors. The Creditors' Scheme became effective and binding on the Company and all of the Scheme Creditors on 5 November 2014 (Bermuda time), upon the delivery of a copy of the order to the Bermuda Registrar of Companies.

Pursuant to the terms of the Creditors' Scheme, the Bar Time was set on 5 February 2015. In order to be entitled to receive consideration under the Creditors' Scheme in respect of any accepted liabilities:–

i) Each Note Creditor must ensure that a duly completed account holder letter is prepared by the relevant account holder and lodged with the information agent prior to the Bar Time; and

ii) Each Non-Note Creditor must ensure that a duly completed notice of claim is submitted to the information agent prior to the Bar Time.

The Scheme Creditors who fail to submit an account holder letter or notice of claim prior to the Bar Time shall have no entitlement to Scheme Consideration under the Scheme.

At the hearing held on 6 March 2015 (Bermuda time), the Bermuda Court ordered to extend the long-stop date to 31 July 2015. Details of the above were set in the Company's announcement dated 22 September 2014, 22 October 2014, 6 November 2014, 12 November 2014, 18 February 2015, 3 March 2015, 9 March 2015 and 16 March 2015.

52. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2015.

FIVE YEAR FINANCIAL SUMMARY

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

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue					
Continuing operations	**–**	644,325	1,272,127	1,915,886	1,724,559
Discontinued operations	**–**	–	89,577	281,147	386,940
	–	644,325	1,361,704	2,197,033	2,111,499
Profit/(loss) before tax					
Continuing operations	**3,945,724**	(4,818,150)	(482,177)	(480,614)	(475,771)
Discontinued operations	**(167,692)**	249,252	(3,556,131)	(296,426)	(110,693)
	3,778,032	(4,568,898)	(4,038,308)	(777,040)	(586,464)
Tax					
Continuing operations	**113**	440	7,854	(5,716)	6,500
Discontinued operations	**1,229**	(1,774)	53,310	(576)	(424)
	1,342	(1,334)	61,164	(6,292)	6,076
Profit/(loss) for the year	**3,779,374**	(4,570,232)	(3,977,144)	(783,332)	(580,388)
Attributable to:					
Owners of the Company	**3,779,374**	(4,570,232)	(3,977,144)	(783,332)	(580,800)
Non-controlling interests	**–**	–	–	–	412
	3,779,374	(4,570,232)	(3,977,144)	(783,332)	(580,388)

	At 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**3,203,978**	3,654,882	3,472,311	10,622,591	9,517,212
Total liabilities	**(7,036,612)**	(11,379,208)	(6,610,884)	(9,516,000)	(7,773,810)
Equity portion of convertible unsecured notes in a jointly-controlled entity	**–**	–	–	(85,015)	(92,277)
Contingently redeemable equity in a jointly-controlled entity	**–**	–	–	(477,083)	(517,837)
	(3,832,634)	(7,724,326)	(3,138,573)	544,493	1,133,288