



## **Titan Petrochemicals Group Limited**

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

Interim Report **2015**

## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

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

#### Non-executive Directors

Fan Qinghua  
Hu Zhong Shan

#### Independent Non-executive Directors

Foo Meng Kee  
Lau Fai Lawrence  
Lau Yiu Kit  
Xiang Siying

### AUDIT COMMITTEE

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

### 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](http://www.petrotitan.com)

### STOCK CODE

1192

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS

Titan Petrochemicals Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) did not have any operation and thus not generate any revenue from continuing operations for the six months ended 30 June 2015 and 30 June 2014. The loss before tax from continuing operations was HK\$49 million, compared to the profit before tax from continuing operations of HK\$3,772 million in the same period of 2014. The loss for the period was HK\$162 million, mainly comprised of the loss from discontinued operation amounted to HK\$113 million, general and administrative expenses amounted to HK\$37 million and finance cost amounted to HK\$11 million.

In view of the Group’s financial position, the Board does not recommend to declare any interim dividend for the first half of 2015.

## BUSINESS REVIEW

The Group has been a provider of logistics, transportation, distribution and marine services for oil and petrochemical products in the Asia Pacific region and, in particular, in the People’s Republic of China (“Mainland China” or the “PRC”). 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.

### 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.

### 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 period under review, and the segment loss before interest, tax, depreciation and amortisation (“LBITDA”) was HK\$43,000 as compared to HK\$1 million in the same period 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\$2,125 million). This transaction, however, was not 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.

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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 for 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 transaction has not been completed and the business continues to be classified as "discontinued operation".

There was no revenue during the periods ended 30 June 2015 and 2014, and segment LBITDA was HK\$11 million and HK\$10 million for the periods ended 30 June 2015 and 2014 respectively.

### 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 period ended 30 June 2014, 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 period ended 30 June 2014. There were no subsidiaries being deconsolidated during the period ended 30 June 2015.

### LIQUIDITY, FINANCIAL RESOURCES, CHARGES ON ASSETS AND GEARING

As at 30 June 2015, the Group's net liabilities amounted to HK\$3,995 million, compared to HK\$3,833 million as at 31 December 2014.

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 30 June 2015,

a) The Group had:

- Cash and bank balances of HK\$9.5 million (31 December 2014: HK\$1.4 million), of which HK\$0.1 million (31 December 2014: HK\$0.1 million) was from the discontinued operation in respect of shipbuilding segment; restricted cash of HK\$26.5 million (31 December 2014: HK\$26.5 million) was from continuing operations. These balances were comprised of:
  - an equivalent of HK\$34.1 million (31 December 2014: HK\$26.7 million) denominated in US dollars

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- an equivalent of HK\$0.1 million (31 December 2014: HK\$0.2 million) denominated in Singapore dollars
  - an equivalent of HK\$0.2 million (31 December 2014: HK\$0.4 million), of which HK\$0.1 million (31 December 2014: HK\$0.1 million) was from the discontinued operation, denominated in RMB
  - HK\$1.6 million (31 December 2014: HK\$0.6 million) in Hong Kong dollars
  - Interest-bearing bank and other loans of HK\$272 million (31 December 2014: HK\$272 million), of which HK\$266 million (31 December 2014: HK\$266 million) was from the discontinued operation of shipbuilding segment. Floating rate loan denominated in US dollars amounted to HK\$6 million (31 December 2014: HK\$6 million). Group bank and other loans having maturities within one year amounted to HK\$6 million (31 December 2014: HK\$6 million) of which were all from continuing operations
  - Loans from the ultimate holding company of HK\$2,051 million (31 December 2014: HK\$2,048 million), all of which having maturities over one year. Among such, HK\$1,949 million (31 December 2014: HK\$1,946 million) was from discontinued operation of shipyard segment
  - Loans from the immediate holding company of HK\$106 million (31 December 2014: HK\$52 million). Among such, HK\$84 million (31 December 2014: HK\$49 million) had maturities over one year, HK\$19 million (31 December 2014: HK\$Nil) had maturities within 1 year, and HK\$3 million (31 December 2014: HK\$3 million) was in default as disclosed in note 24 of the condensed consolidated financial statements, which were then presented as current liabilities as at 30 June 2015 and 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\$834 million (31 December 2014: HK\$833 million)
  - Machinery with an aggregate net carrying value of HK\$103 million (31 December 2014: HK\$119 million)
  - Buildings with an aggregate net carrying value of HK\$430 million (31 December 2014: HK\$437 million)
  - Prepaid land/seabed lease payments with an aggregate net carrying value of HK\$303 million (31 December 2014: HK\$306 million)
  - Investment property with an aggregate carrying value of HK\$166 million (31 December 2014: HK\$166 million)
  - Corporate guarantees executed by the Company and its subsidiaries
  - Corporate guarantees executed by the subsidiaries of the ultimate holding company



## MANAGEMENT DISCUSSION AND ANALYSIS

- 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 (31 December 2014: HK\$882 million), the guaranteed senior convertible notes (the “Convertible Notes Due 2015”) of HK\$442 million (31 December 2014: HK\$442 million) and the guaranteed senior payment-in-kind notes (the “PIK Notes Due 2015”) of HK\$89 million (31 December 2014: HK\$89 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\$3,016 million (31 December 2014: HK\$3,035 million) and total assets of HK\$3,184 million (31 December 2014: HK\$3,204 million), of which HK\$2,835 million (31 December 2014: HK\$2,861 million) was from the discontinued operation of shipbuilding segment
  - Total bank and other loans of HK\$272 million (31 December 2014: HK\$272 million), of which HK\$266 million (31 December 2014: HK\$266 million) was from the discontinued operation in respect of shipbuilding segment
  - The Senior Notes Due 2012 of HK\$882 million (31 December 2014: HK\$882 million)
  - The Convertible Notes Due 2015 of HK\$442 million (31 December 2014: HK\$442 million)
  - The PIK Notes Due 2015 of HK\$89 million (31 December 2014: HK\$89 million)
  - Convertible preferred shares issued by the Company (the “Titan preferred shares”) with a liability portion of HK\$428 million (31 December 2014: HK\$421 million)
  - Notes payable (the “K-Line Notes Due 2013”) in the amount of HK\$203 million (31 December 2014: HK\$203 million)
  - Loans from the ultimate holding company of HK\$2,051 million (31 December 2014: HK\$2,048 million), of which HK\$1,949 million (31 December 2014: HK\$1,946 million) was from the discontinued operation of shipbuilding segment
  - Loans from the immediate holding company of HK\$106 million (31 December 2014: HK\$52 million)
- e) The Group’s current ratio was 0.43 (31 December 2014: 0.44). 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 1.27 (31 December 2014: 1.24).
- f) The Group operated in Mainland China, Hong Kong and Singapore and primarily used Renminbi for the business in Mainland China, Hong Kong dollars in Hong Kong and US dollars and Singapore dollars in Singapore. The Group has not used any financial instruments for speculative purposes.

## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group had 178 employees (31 December 2014: 185), of which 152 employees (31 December 2014: 157) worked in Mainland China, all of which were from Titan Quanzhou Shipyard, and 24 employees and 2 employees (31 December 2014: 26 and 2) were based in Hong Kong and Singapore, respectively. Remuneration packages including basic salaries, bonuses and benefits-in-kind, were structured by reference to market terms and individual merit and are reviewed on an annual basis based on performance appraisals. No share options were granted to employees of the Group during the six months ended 30 June 2015.

### 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 Bermuda Companies Act 1981) (the “Act”) of the Company, without the approval of the Bermuda Court or without 7 days’ written notice of the same to Camden.

On 18 October 2013 (Bermuda time), the Bermuda Court ordered the appointment of two JPLs to the Company with specified powers as set out in the announcement of the Company dated 22 October 2013. Those powers were varied by order of the Bermuda Court on 14 February 2014 (Bermuda time) as disclosed in the announcement of the Company dated 18 February 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

The hearing of the winding-up petition has been adjourned on numerous occasions to allow the Company to implement its restructuring (the “Restructuring”), with the latest adjournment being until 28 August 2015 (Bermuda time).

The details are disclosed in note 30(a) and (b) of the condensed 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 TGIL convertible unsecured notes (the “TGIL Notes Due 2014”), and SSL applied for an order to appoint joint and several provisional liquidators for, and to liquidate 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 (“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 Appeal was stayed until 20 March 2013 (BVI time) by consent of TOSIL as appellant and SSL and TGIL as respondents. It is intended that the Appeal will be withdrawn as part of the settlement of all litigation relating to the Group pursuant to the settlement deed.

The liquidators of TGIL have made a numbers of distributions to creditors of TGIL, but continue to hold certain funds pending the resolution of certain tax issues.

The details are disclosed in note 30(c) of the condensed consolidated financial statements.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 High 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 Proceedings”).

The Hong Kong Proceedings were stayed until 15 March 2013. Subsequently, on 15 November 2013, SSL was ordered by the Hong Kong High Court to provide security for the defendants’ costs of the proceedings. SSL failed to provide such security and the proceedings remained stayed.

A second case management conference was fixed for hearing on 21 November 2014. On 17 November 2014, the Hong Kong High Court ordered (by consent) that (i) the second case management conference due to be heard on 21 November 2014 be vacated and adjourned to 13 March 2015; and (ii) all further proceedings be stayed until 16 January 2015. Thereafter, on 12 March 2015, the Hong Kong High 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 to be stayed until 30 April 2015. On 19 June 2015, the Hong Kong High Court ordered (by consent) that (i) the second case management conference fixed to be heard on 7 July 2015 be vacated; and (ii) all future proceedings be stayed until 6 September 2015 pending finalisation of the global settlement among the parties.

It is intended that the Hong Kong Proceedings will be settled and withdrawn as part of the settlement of all litigation relating to the Company pursuant to the terms of a settlement deed which shall be entered into in the near future once approval is obtained from the Bermuda Court to enter into the settlement deed.

The details are disclosed in note 30(d) of the condensed consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### d) PRC Proceedings

On 30 May 2012, 泰山石化(福建)有限公司 (Titan Petrochemicals (Fujian) Ltd\*) (“Titan Fujian”), a wholly owned subsidiary of the Company, received a summons issued by 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 million 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.

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 lodged by Titan Fujian 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 has been 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 note 30(e) of the condensed consolidated financial statements.

\* for illustration purpose only

## MANAGEMENT DISCUSSION AND ANALYSIS

### THE RESTRUCTURING

The Restructuring involves a number of inter-conditional arrangements to be implemented by the Group, including:

**a) The proposed debt restructuring (the “Debt Restructuring”)**

The Debt Restructuring, involving the restructuring of the indebtedness of the Company through a Bermudan scheme of arrangement (the “Creditors’ Scheme”), certain other individual arrangements with creditors of the Company and certain subsidiary arrangements to compromise inter-company liabilities via a scheme of arrangement proposed by Titan Resources Management Limited (“TRML”), a wholly owned subsidiary of the Company (the “TRML Scheme”).

On 22 October 2014, separate meetings (“Scheme Meetings”) of the beneficial owners of the Senior Notes Due 2012, the Convertible Notes Due 2015 and the PIK Notes Due 2015 (collectively, the “Existing Notes”) and of Non-Note Creditors (as defined in the Creditors’ Scheme) (together, the “Scheme Creditors”) 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), voted in favour of the Creditors’ Scheme, thereby approving the Creditors’ Scheme. The Creditors’ Scheme was then sanctioned by the Bermuda Court on 5 November 2014 and became effective and binding on the Company and all Scheme Creditors on the same date.

Pursuant to the terms of the Creditors’ Scheme, all liabilities owed by the Company to Scheme Creditors are to be compromised and discharged in exchange for the distribution of scheme consideration: (i) to Non-Note Creditors in the form of a cash distribution of US\$0.10 for every US\$1.00 of their respective accepted liabilities; and (ii) to Note Creditors (as defined in the Creditors’ Scheme) in the form of either:

- i) the Equity Option – a cash distribution of US\$0.10 and the issuance and allotment of new Shares representing US\$0.30 for every US\$1.00 of their respective accepted liabilities; or
- ii) the Cash Option – a cash distribution of US\$0.20 and the issuance and allotment of new Shares representing US\$0.10 for every US\$1.00 of their respective accepted liabilities.

Such scheme consideration was to be distributed to Scheme Creditors following the completion of the Capital Restructuring as outlined below.

As a result of the delays experienced in completing the Capital Restructuring, the Bermuda Court has agreed to extend the long stop date for the completion of the Creditors’ Scheme (as set out in the Creditors’ Scheme) on 6 March 2015 (Bermuda time), 29 July 2015 (Bermuda time) and 14 August 2015 (Bermuda time), such that the Creditors’ Scheme must now be implemented on or before 30 September 2015, failing which it will lapse and be of no effect.

## MANAGEMENT DISCUSSION AND ANALYSIS

In addition, on 10 July 2015, TRML applied to the BVI Court to seek an order directing that meetings of certain creditors of TRML be convened for the purpose of considering the TRML Scheme. Pursuant to the terms of the TRML Scheme, all liabilities owed by TRML to scheme creditors of TRML are to be compromised and discharged in exchange for the distribution of scheme consideration. As noted above, the TRML Scheme only sought to compromise inter-company liabilities; its purpose was to: (i) allow TRML to restate its statement of financial position so that it accurately reflects the present financial position of TRML on a stand-alone basis and the financial position of the Company on a consolidated basis; (ii) allow the Company to comply with the conditions imposed by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the resumption of trading in the Shares of the Company; and (iii) provide the creditors of TRML with a certain, expedited recovery process when compared to the only alternative – a liquidation of TRML (and numerous other members of the Group).

At a hearing on 17 July 2015, the BVI Court directed that, meetings of the creditors of TRML be held on 27 July 2015 to consider and, if thought fit, approve the TRML Scheme. On 30 July 2015, the TRML scheme was sanctioned by the BVI Court and became effective and binding on all scheme creditors of TRML.

### **b) The proposed capital restructuring (the “Capital Restructuring”)**

The Capital Restructuring, involving (i) an increase in the authorised share capital of the Company, (ii) Offer Shares issue and allot to the qualifying shareholders pursuant to an open offer put forward by the Company on the basis of one Offer Share for every two existing Shares held by the qualifying shareholders on the record date with the issuance of warrants of the Company (the “Warrants”) on the same terms as those being offered to the subscribers for no addition consideration to the qualifying shareholders who take up the Offer Shares on the basis of one Warrant for one of Offer Share taken up (the “Open Offer”), (iii) the issuance of ordinary shares in the Company (the “Shares”) to certain scheme creditors as scheme consideration under the Creditors’ Scheme, and (iv) Shares issue to equity subscribers, Victory Stand Limited (“Victory Stand”) and Paliburg Company Limited (“Paliburg”) pursuant to the subscriptions and (if exercise) the warrant arrangements.

The aggregate gross proceeds from the Open Offer and the share subscriptions amount to approximately HK\$701 million. The aggregate net proceeds from the Open Offer and share subscriptions (after deducting the costs and expenses) are estimated to be approximately HK\$655.8 million. The aggregate net proceeds of approximately HK\$655.8 million are expected to be applied as to (i) a maximum of HK\$337.8 million for the Debt Restructuring and the repayment of the outstanding indebtedness of the Group (other than those that will form part of the claims to be restructured under the Debt Restructuring); (ii) approximately of HK\$200.4 million for the upgrade and modification of the shipyard in Quanzhou, the PRC; and (iii) the remaining of approximately HK\$117.6 million for the working capital of the Group. The gross and net proceeds of approximately HK\$841.2 million and HK\$838.8 million respectively from the exercise of the subscription rights attaching to the Warrants, if it occurs, are expected to be utilised by the Company as general working capital.

## MANAGEMENT DISCUSSION AND ANALYSIS

### c) Restructuring support arrangements

Certain restructuring support arrangements entered into with GZE (including rescue loans, debt rescheduling arrangements, excess liability undertakings and a memorandum of understanding in connection with certain product orders to be placed upon resumption), which will result in the revitalisation of the ship building and repair business of the Group upon the completion of the Restructuring.

## SUSPENSION OF TRADING AND LISTING STATUS

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

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).

As part of its wider Restructuring, the Company submitted a resumption proposal (the "Resumption Proposal") to the Stock Exchange on 5 May 2014 (and updated versions of the Resumption Proposal in response to comments from the Stock Exchange 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, on 1 December 2014, the Stock Exchange advised the Company that it would approve a resumption of trading in the Shares of the Company provided that the Company satisfied the following conditions (the "Resumption Conditions") by 31 May 2015:

- 1) completion of each 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.

The deadline for satisfaction of the Resumption Conditions has been extended by the Stock Exchange first to 31 July 2015 and now to 18 September 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Satisfaction of the Resumption Conditions

As at the date of this report, only Resumption Condition 4) above has been satisfied; a circular having been despatched to shareholders on 29 May 2015 (the "Circular"). Nevertheless, the Company has made significant progress towards completion of the remaining Resumption Conditions, further details of which are set out below.

#### a) *The Open Offer*

The Open Offer prospectus (the "Prospectus") was despatched to shareholders on 6 July 2015. As at 4:00 pm on Monday, 20 July 2015, being the latest time for acceptance of the Open Offer:

- a) a total of 12 valid acceptances of 586,883,922 Offer Shares provisionally allotted under the Open Offer, representing approximately 15.0% of the total number of Offer Shares available for subscription under the Open Offer, were received; and
- b) a total of 7 valid applications for excess Offer Shares in respect of 36,124,607,515 Offer Shares, representing approximately 1087% of the 3,323,393,419 Offer Shares available for excess application, were received.

The Open Offer was therefore over-subscribed by 32,801,214,096 Offer Shares and Fame Dragon International Investment Limited ("Fame Dragon") (as underwriter) was not obliged to take up any of those shares pursuant to the Underwriting Agreement.

As disclosed in the Prospectus, the results of the Open Offer were originally expected to be announced on 27 July 2015, with the certificates for Offer Shares and Warrants and the refund of cheques in respect of wholly or partially unsuccessful applications for the excess Offer Shares to be despatched on 28 July 2015.

As disclosed in the announcement dated 27 July 2015, the expected timetable of the Open Offer was delayed as a result of the Subscription Agreements (as explained below) not being completed in accordance with their terms.

Accordingly, as disclosed in the announcement of the Company dated 7 August 2015, refund cheques, (without interest), in respect of wholly or partially unsuccessful applications for the excess Offer Shares were despatched to shareholders by ordinary post on 10 August 2015.

As at the date of this report, neither the Open Offer nor the Subscription Agreements have been completed.



## MANAGEMENT DISCUSSION AND ANALYSIS

### *b) Subscription Agreements*

Along with the Open Offer, the subscriptions also form a critical component of the Capital Restructuring. Over the course of 2015, the identity of the subscribers has changed.

Subscription Agreements were entered into with CGL Resources Ltd (“CGL Resources”), New Berkeley Corporation (“New Berkeley”) and Wahan Investments Limited (“Wahan Investments”) in May 2014. However, in early March 2015, CGL Resources and New Berkeley advised the Company that they would not be proceeding with their proposed subscription for Shares in the Company under the CGL Resources Subscription Agreement (as defined in the Circular and the Prospectus) and the New Berkeley Subscription Agreement (as defined in the Circular and the Prospectus). Accordingly, on 27 March 2015, the Company reached an agreement with Victory Stand to subscribe for the Shares which CGL Resources and New Berkeley had previously agreed to subscribe for, on terms substantially similar to the CGL Resources Subscription Agreement and New Berkeley Subscription Agreement (the “Victory Stand Subscription Agreement”).

As a result of certain conditions precedent under the subscription agreements failing to have been satisfied by 31 July 2015, Wahan Investments allowed its subscription agreement to lapse with effect on 1 August 2015. Accordingly, the Company identified an alternative subscriber, Paliburg, to take the place of Wahan Investments. Paliburg entered into a subscription agreement dated 1 August 2015, which was conditional upon: (i) the Wahan Investments Subscription Agreement (as defined in the Circular and the Prospectus) terminating in accordance with its terms; and (ii) the Open Offer proceeds continuing to be held by the Company (the “Paliburg Subscription Agreement”).

In addition, on 24 July 2015, the entire issued share capital of Victory Stand was acquired by Sino Charm International Limited (“SCI”), an entity owned by Mr. Chan Shu Leung. The acquisition of Victory Stand did not automatically affect the terms and conditions of the Victory Stand Subscription Agreement. However, Victory Stand advised the Company that it would waive the remaining conditions precedent under the Victory Stand Subscription Agreement which remained outstanding and enter into an amended subscription agreement which would be conditional solely upon: (i) the Wahan Investments Subscription Agreement terminating in accordance with its terms; and (ii) the Open Offer proceeds continuing to be held by the Company.

As disclosed in the announcement of the Company dated 28 August 2015, both the Victory Stand Subscription Agreement and the Paliburg Subscription Agreement are contractually unconditional given that all conditions precedent contained therein have been satisfied. As at the date of this report, both subscribers of the Paliburg Subscription Agreement and the Victory Stand Subscription Agreement have not completed the respective subscription. On 28 August 2015, the Company issued a notice to each of the subscribers (the “Subscribers”) of the Paliburg Subscription Agreement and the Victory Stand Subscription Agreement requesting the Subscribers to confirm on or before 10:00 a.m. on Monday 31 August 2015 (the “First Deadline”) whether they will proceed to completion of the respective subscription by 3:00 p.m. on Tuesday, 1 September 2015 (the “Second Deadline”).

## MANAGEMENT DISCUSSION AND ANALYSIS

In the event that both of the Subscribers confirmed before the First Deadline that they will proceed to complete the subscriptions by the Second Deadline, the Paliburg Subscription Agreement and the Victory Stand Subscription Agreement are expected to be completed and the Open Offer will become unconditional on 2 September 2015. It is also expected that the other restructuring documents, including but not limited to, the Underwriting Agreement (as defined in the Circular and the Prospectus), the Assumption Agreement (as defined in the Circular and the Prospectus) and the Shipyard Termination Agreement (as defined in the Circular and the Prospectus), shall be completed on Wednesday, 2 September 2015. Certificates for the Offer Shares and Warrants in respect of the valid acceptances of provisional allotments and successful applications for excess Offer Shares are expected to be posted to the addresses (as shown in the register of members of the Company) of the relevant Shareholders by ordinary post at their own risk, currently expected to be, on or around Wednesday, 2 September 2015 if the Open Offer becomes unconditional by Wednesday, 2 September 2015. In this case, the Directors expect that the Company will likely be able to fulfill the Resumption Conditions on or around 18 September 2015, being the current deadline for the fulfillment of the Resumption Conditions.

In the event that any of the Subscribers (i) confirmed before the First Deadline that it will not proceed to complete the relevant subscription by the Second Deadline; or (ii) did not confirm to the Company before the First Deadline that it will proceed to completion of the relevant subscription by the Second Deadline, then the Open Offer will not proceed and the refund cheque, without interest, in respect of all the successful applications for the Offer Shares will be despatched, on or around Monday, 31 August 2015 to the addresses (as shown in the register of members of the Company) of the relevant shareholders by ordinary post, at their own risks.

Further, if both of the Subscribers confirmed before the First Deadline that they will proceed to complete the subscriptions by the Second Deadline but eventually if any of the Subscribers did not complete the relevant subscription by the Second Deadline, then the Open Offer will not proceed and the refund cheque, without interest, in respect of all the successful applications for the Offer Shares will be despatched, on or around Wednesday, 2 September 2015 to the addresses (as shown in the register of members of the Company) of the relevant shareholders by ordinary post, at their own risks.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>	3	–	–
Cost of sales		–	–
<b>Gross loss</b>		–	–
Other revenue		41	25
Gain on deconsolidation of subsidiaries	6(a)	–	4,134,534
General and administrative expenses		(37,171)	(153,580)
Finance costs	7	(11,201)	(73,996)
Impairment losses on amounts due from deconsolidated subsidiaries	6(d)	–	(135,461)
Loss arising on change in fair value of investment property	13	(509)	–
(Loss)/profit before tax from continuing operations	8	(48,840)	3,771,522
Income tax credit/(expense)	9	128	(17)
(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		(48,712)	3,771,505
<b>DISCONTINUED OPERATION</b>			
Loss for the period from discontinued operation	5(b)	(113,179)	(115,906)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		(161,891)	3,655,599
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company		(161,891)	3,655,599
Non-controlling interests		–	–
		(161,891)	3,655,599
<b>BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
	11		
From continuing and discontinued operations			
Basic per share		(HK2.07 cents)	HK46.74 cents
Diluted per share		(HK2.07 cents)	HK38.34 cents
From continuing operations			
Basic per share		(HK0.62 cents)	HK48.22 cents
Diluted per share		(HK0.62 cents)	HK39.55 cents

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<b>(Loss)/profit for the period</b>	<b>(161,891)</b>	3,655,599
Other comprehensive (loss)/income		
Items that will not be reclassified to profit or loss:		
Revaluation gain of prepaid land lease payment upon reclassification to investment property	–	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	<b>(588)</b>	3,831
	<b>(588)</b>	3,831
Other comprehensive (loss)/income for the period, net of tax	<b>(588)</b>	111,936
<b>Total comprehensive (loss)/income for the period</b>	<b>(162,479)</b>	3,767,535
<b>Total comprehensive (loss)/income attributable to:</b>		
Owners of the Company	<b>(162,479)</b>	3,767,535
Non-controlling interests	–	–
	<b>(162,479)</b>	3,767,535

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	2,692	3,138
Investment property	13	165,860	166,223
Goodwill	14	–	–
Total non-current assets		168,552	169,361
<b>CURRENT ASSETS</b>			
Accounts receivable	15	–	–
Prepayments, deposits and other receivables		144,870	145,555
Restricted cash		26,531	26,520
Cash and cash equivalents		9,410	1,315
Assets of a disposal group classified as held for sale	5(b)	180,811 2,834,808	173,390 2,861,227
Total current assets		3,015,619	3,034,617
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank and other loans	16	5,850	5,850
Accounts payable	17	217,731	217,731
Other payables and accruals	18	763,466	774,100
Fixed rate guaranteed senior notes	19	882,329	882,329
Guaranteed senior convertible notes	20	441,753	441,753
Guaranteed senior payment-in-kind notes	21	88,657	88,657
Liability portion of convertible preferred shares	22	428,021	420,717
Notes payable	23	202,896	202,896
Tax payable		1,070	1,069
Amounts due to the ultimate holding company		951,505	947,503
Amount due to the immediate holding company		545	87
Loans from the immediate holding company	24	21,541	3,000
Liabilities directly associated with the assets classified as held for sale	5(b)	4,005,364 2,952,334	3,985,692 2,865,369
Total current liabilities		6,957,698	6,851,061
<b>NET CURRENT LIABILITIES</b>		<b>(3,942,079)</b>	<b>(3,816,444)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(3,773,527)</b>	<b>(3,647,083)</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Amount due to the immediate holding company		740	456
Loans from the immediate holding company	24	84,439	48,681
Loans from the ultimate holding company		102,383	102,293
Deferred tax liabilities		34,024	34,121
Total non-current liabilities		221,586	185,551
<b>Net liabilities</b>		<b>(3,995,113)</b>	(3,832,634)
<b>DEFICIENCY IN ASSETS</b>			
<b>Deficiency attributable to owners of the Company</b>			
Share capital	25	78,206	78,206
Deficits	26	(4,073,319)	(3,910,840)
<b>Deficiency in assets</b>		<b>(3,995,113)</b>	(3,832,634)



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company		Total deficiency in assets HK\$'000
	Share capital (Note 25) HK\$'000	Deficits (Note 26) HK\$'000	
At 1 January 2015	<b>78,206</b>	<b>(3,910,840)</b>	<b>(3,832,634)</b>
Loss for the period	–	<b>(161,891)</b>	<b>(161,891)</b>
Other comprehensive loss for the period:			
Exchange differences on translation of foreign operations	–	<b>(588)</b>	<b>(588)</b>
Total comprehensive loss for the period	–	<b>(162,479)</b>	<b>(162,479)</b>
At 30 June 2015 (Unaudited)	<b>78,206</b>	<b>(4,073,319)</b>	<b>(3,995,113)</b>
At 1 January 2014	78,206	(7,802,532)	(7,724,326)
Profit for the period	–	3,655,599	3,655,599
Other comprehensive income for the period:			
Revaluation gain of prepaid land lease payment upon reclassification to investment property, net of tax	–	108,105	108,105
Exchange differences on translation of foreign operations	–	3,831	3,831
Total comprehensive income for the period	–	3,767,535	3,767,535
Released upon deconsolidation of subsidiaries	–	1,446	1,446
At 30 June 2014 (Unaudited)	78,206	(4,033,551)	(3,955,345)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<b>Net cash flows (used in)/from:</b>		
Operating activities	(47,174)	(35,895)
Investing activities	(44)	(36)
Financing activities	55,305	18,528
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>8,087</b>	(17,403)
Cash and cash equivalents at the beginning of the period	1,446	19,891
Effect of foreign exchange rate changes, net	(4)	(8)
<b>Cash and cash equivalents at the end of the period</b>	<b>9,529</b>	2,480
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances attributable to continued operations	9,410	2,366
Cash and bank balances attributable to discontinued operation	119	114
<b>Cash and cash equivalents as stated in condensed consolidated statement of cash flows</b>	<b>9,529</b>	2,480
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents per condensed consolidated statement of cash flows	9,529	2,480
Cash and bank balances attributable to discontinued operation	(119)	(114)
<b>Cash and cash equivalents as stated in the consolidated statement of financial position</b>	<b>9,410</b>	2,366

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of Titan Petrochemicals Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the six-month period ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

### Loss of access to books and records of the Group

The directors of the Company (the “Directors”) have used their best endeavors to locate all the financial and business records of the Group. The access to most of the books and records of its subsidiaries which operated in Singapore have not been able to be located as a consequence of the re-location of the operating office and servers, together with the resignation of key management and most of the former operating and accounting personnel have once left the Group. Compounding the difficulties in obtaining information is the fact that most of the Singapore 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 year ended 31 December 2014.

## 1.1 GOING CONCERN BASIS

During the period ended 30 June 2015, the Group incurred losses of HK\$161,891,000 and, as of that date, the Group had net current liabilities and net liabilities of HK\$3,942,079,000 and HK\$3,995,113,000 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; and (ii) KTL Camden Inc (“Camden”) (the “Petition”) 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1.1 GOING CONCERN BASIS (Continued)

#### a) Proceedings (Continued)

##### *Bermuda proceedings (Continued)*

The hearing of the Petition has been adjourned on numerous occasions in order to allow the Company to pursue its restructuring (the "Restructuring"), with the latest adjournment being until 28 August 2015 (Bermuda time), further details of which are set out in note 30(b).

#### b) Restructuring

The Directors have adopted the going concern basis in the preparation of the condensed consolidated financial statements and have implemented measures in order 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 were approved by shareholders at the special general meeting of the Company held on 22 June 2015.

As announced by the Company on 30 May 2014, the Company also submitted a resumption proposal (the "Resumption Proposal") to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 May 2014 and has entered into certain agreements in relation to the revitalisation of its business and the compromise and discharge of its indebtedness.

On 1 December 2014, the Stock Exchange granted conditional approval for a resumption of trading in the shares of the Company (the "Shares") provided that the Company satisfied certain resumption conditions (the "Resumption Conditions") by 31 July 2015. On 30 July 2015, the Company has submitted to the Stock Exchange a letter (the "Extension Letter") requesting for an approval to grant a further extension of the deadline for the fulfilment of the Resumption Conditions from 31 July 2015 to 31 August 2015.

Taking into consideration of the current expected timetable in relation to the expected completion of certain agreements under the Restructuring, on 17 August 2015, the Company has submitted to the Stock Exchange a letter requesting for (i) an withdrawal of the Extension Letter and (ii) an approval to grant a further extension of the deadline for the fulfilment of the Resumption Conditions to the end of September 2015. On 20 August 2015, agreed to further extend the deadline for satisfying the Resumption Conditions to 18 September 2015.

In addition, the Bermuda Court has extended the long stop date for implementation and completion of a Bermudan scheme of arrangement (the "Creditors' Scheme") on numerous occasions, most recently to 30 September 2015.

The condensed consolidated financial statements have been prepared on a going concern basis on the assumption that the 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 condensed 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 condensed consolidated financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31 December 2014.

The Group has adopted the following amended Hong Kong Financial Reporting Standards ("HKFRSs") and HKAS issued by the HKICPA which became effective for accounting periods beginning on or after 1 January 2015.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

#### **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 condensed consolidated financial statements as the Group does not have any defined benefit plans.

#### **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 sharebased 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Annual Improvements to HKFRSs 2010-2012 Cycle (Continued)

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 condensed consolidated financial statements.

#### 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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Annual Improvements to HKFRSs 2011-2013 Cycle (Continued)

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 condensed consolidated financial statements.

### 3. REVENUE

The Group did not generate any revenue during the period ended 30 June 2015 (period ended 30 June 2014: HK\$Nil).

### 4. OPERATING SEGMENT INFORMATION

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

Management monitors the results of its operating segments separately for the purposes of making decisions about resource allocations and performance assessments. Segment performance is evaluated based on reportable segment (loss)/profit, which is a measure of adjusted (loss)/profit before tax from continuing operations. The adjusted (loss)/profit before tax from continuing operations is measured consistently with the Group's (loss)/profit 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 during the period ended 30 June 2015 (period ended 30 June 2014: HK\$Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**4. OPERATING SEGMENT INFORMATION (Continued)**

The following tables present the unaudited segment information for the periods ended 30 June 2015 and 2014.

**Six months ended 30 June 2015**

	Provision of logistic services		Supply of oil products and provision of bunker refueling services HK\$'000	Continuing operations Total HK\$'000	Discontinued operation Shipbuilding HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
	Offshore storage HK\$'000	Transportation HK\$'000					
<b>Segment revenue</b>							
– Revenue from external customers	–	–	–	–	–	–	–
<b>Segment results</b>							
Adjusted for:							
– Interest income	–	–	–	–	–	11	11
– Other revenue	–	–	–	–	–	30	30
– Other expenses	–	–	–	–	–	(37,128)	(37,128)
Add: Depreciation and amortisation	–	–	(43)	(43)	(39,827)	(37,087)	(76,957)
Operating loss before interest, tax, depreciation and amortisation ("LBITDA")	–	–	(43)	(43)	(11,107)	(36,594)	(47,744)
Loss arising on change in fair value of investment property	–	–	–	–	–	(509)	(509)
LBITDA	–	–	(43)	(43)	(11,107)	(37,103)	(48,253)
Depreciation and amortisation	–	–	–	–	(28,720)	(493)	(29,213)
Finance costs	–	–	–	–	(73,967)	(11,201)	(85,168)
<b>Loss before tax</b>	–	–	(43)	(43)	(113,794)	(48,797)	(162,634)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2014

	Provision of logistic services		Supply of oil products and provision of bunker refueling services HK\$'000	Continuing operations	Discontinued operation	Unallocated HK\$'000	Consolidated HK\$'000
	Offshore storage HK\$'000	Transportation HK\$'000		Total HK\$'000	Shipbuilding HK\$'000		
<b>Segment revenue</b>							
– Revenue from external customers	–	–	–	–	–	–	–
<b>Segment results</b>	142	67	(991)	(782)	(37,780)	–	(38,562)
Adjusted for:							
– Interest income	–	–	–	–	–	16	16
– Other revenue	–	–	–	–	–	9	9
– Other expenses	–	–	–	–	–	(152,798)	(152,798)
	142	67	(991)	(782)	(37,780)	(152,773)	(191,335)
Add: Depreciation and amortisation	–	–	36	36	27,738	770	28,544
Operating earnings before interest, tax, depreciation and amortisation (“EBITDA”)/(LBITDA)	142	67	(955)	(746)	(10,042)	(152,003)	(162,791)
Gain on deconsolidation of subsidiaries	–	–	–	–	–	4,134,534	4,134,534
Impairment losses on amounts due from deconsolidated subsidiaries	–	–	–	–	–	(135,461)	(135,461)
EBITDA/(LBITDA)	142	67	(955)	(746)	(10,042)	3,847,070	3,836,282
Depreciation and amortisation	–	–	(36)	(36)	(27,738)	(770)	(28,544)
Finance costs	–	–	–	–	(78,741)	(73,996)	(152,737)
<b>Profit/(loss) before tax</b>	142	67	(991)	(782)	(116,521)	3,772,304	3,655,001

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 5. 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 for consideration of RMB1,865,670,000 (equivalent to approximately HK\$2,380,304,000) or a maximum reduced consideration of RMB1,465,670,000 (equivalent to approximately HK\$1,869,966,000) 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\$2,125,135,000).

However, only RMB740,000,000 was received from Grand China Logistics in connection with the GCL Sale and Purchase Agreement and, accordingly, the equity interest in Titan Quanzhou Shipyard was not 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” or “TQSL Holding”) and Titan Petrochemicals (Fujian) Ltd (“Titan Fujian” or “TPFL”) seeking, among other things, the termination of the GCL Sale and Purchase Agreement and repayment of the aggregate amount of RMB740,000,000 (equivalent to approximately HK\$944,125,000) paid in accordance with the GCL Sale and Purchase Agreement.

On 10 June 2013, the Company received a notification that Grand China Logistics had 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 Guangdong Zhenrong Energy Co., Ltd (“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 the discontinuation of the proceedings. Further details are set out in note 30(e).

On 5 May 2014, the Company, TPFL and TQSL Holding entered into an agreement (as supplemented and amended by the supplemental agreements on 27 February 2015 and 28 May 2015) (the “Shipyard Termination Agreement”) with GZE, pursuant to which the parties conditionally agreed that the GCL Sale and Purchase Agreement be terminated and that, in lieu of the repayment of the RMB740,000,000 originally paid by Grand China Logistics to TPFL and TQSL Holding, the Company would issue 9,382,164,000 new Shares of the Company at the issue price of HK\$0.10 to GZE.

The Shipyard Termination Agreement will only be effective upon the satisfaction of the following conditions:

- a) the Company having complied with all applicable requirements under the Listing Rules and those requirements imposed under applicable laws and regulations or by the Stock Exchange, the Securities and Futures Commission of Hong Kong (the “SFC”), the Bermuda Court and/or any other governmental or regulatory authority of competent jurisdiction in relation to the Shipyard Termination Agreement and the transactions contemplated thereunder;

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 5. DISCONTINUED OPERATION (Continued)

- a) **Shipbuilding – Titan Quanzhou Shipyard Co., Ltd. (“Titan Quanzhou Shipyard”)**  
**(Continued)**
- b) the debt restructuring having become effective;
  - c) a resumption of trading in the Shares having been unconditionally or conditionally approved by the Stock Exchange;
  - d) each condition precedent (or such other condition) required to be satisfied pursuant to the terms of each other document in relation to the Creditors’ Scheme and the Resumption Proposal (other than that all the conditions precedent of the Shipyard Termination Agreement having been fulfilled or waived) having been satisfied or waived for the purpose of making each document in relation to the Creditors’ Scheme and the Resumption Proposal effective in accordance with its terms;
  - e) the Company having obtained the approval of the independent shareholders in general meeting in respect of the Whitewash Waiver (as defined in the circular of the Company dated 29 May 2015) (the “Circular”); and
  - f) the grant of the Whitewash Waiver by the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director (the “Executive”).

None of the above conditions can be waived. As at the date of this report, the conditions (b), (c), (e) and (f) set out above have been satisfied. It was originally agreed that if the above conditions are not fulfilled on or before 31 May 2015 (or such later date as may be agreed among the parties in writing), the Shipyard Termination Agreement shall thereupon lapse and become null and void and the parties will be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof. However, as disclosed in the Company’s announcement dated 28 May 2015, on 28 May 2015, the Company, TPFL and TQSL Holdings entered into a supplemental agreement, pursuant to which the parties agreed to extend the long stop date of the Shipyard Termination Agreement to 31 July 2015. Subsequently, the parties again agreed to extend the long stop date to 31 August 2015. Further details in respect of the above were included in the Circular and announcement on 7 August 2015.

As at 30 June 2015 and 31 December 2014, the assets and liabilities related to the discontinued operation, shipbuilding and building of ship repair facilities, have been presented in the consolidated statement of financial position as “Assets of a disposal group classified as held for sale” and “Liabilities directly associated with the assets classified as held for sale”. The results for the periods ended 30 June 2015 and 2014 are included in the consolidated statement of profit and loss as “Loss for the period from discontinued operation”.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**5. DISCONTINUED OPERATION (Continued)****b) Financial information on Titan Quanzhou Shipyard**

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

	Notes	Six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Other revenue		–	3
General and administrative expenses		(39,827)	(37,783)
Finance costs	7	(73,967)	(78,741)
<b>Loss before tax</b>		<b>(113,794)</b>	(116,521)
Income tax credit		615	615
<b>Loss for the period from discontinued operation</b>		<b>(113,179)</b>	(115,906)

The major classes of assets and liabilities of Titan Quanzhou Shipyard classified as held for sale as at 30 June 2015 and 31 December 2014 are as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
<b>Assets</b>		
Property, plant and equipment	2,465,656	2,488,687
Prepaid land/seabed lease payments	302,860	306,345
Inventories	44,667	44,627
Prepayments, deposits and other receivables	21,506	21,437
Cash and cash equivalents	119	131
Assets of a disposal group classified as held for sale	<b>2,834,808</b>	2,861,227
<b>Liabilities</b>		
Interest-bearing bank and other loans	265,893	265,658
Accounts payable	94,253	93,861
Other payables and accruals	440,424	416,533
Amounts due to the ultimate holding company	144,271	83,949
Loans from the ultimate holding company	1,948,905	1,946,165
Deferred tax liabilities	58,588	59,203
Liabilities directly associated with the assets classified as held for sale	<b>2,952,334</b>	2,865,369
<b>Net liabilities directly associated with the disposal group</b>	<b>(117,526)</b>	(4,142)



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**5. DISCONTINUED OPERATION (Continued)****b) Financial information on Titan Quanzhou Shipyard (Continued)**

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

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<b>Net cash (outflow)/inflow from:</b>		
Operating activities	(1,033)	(97)
Investing activities	–	(19)
Financing activities	1,017	–
<b>Net cash outflow</b>	<b>(16)</b>	<b>(116)</b>

**6. DECONSOLIDATION OF SUBSIDIARIES**

During the period ended 30 June 2014, ten wholly owned subsidiaries of the Group that were incorporated in the 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.

Accordingly, the Group had deconsolidated these subsidiaries as the Directors considered that the Group’s control over these subsidiaries had been lost during the period ended 30 June 2014 and there were no subsidiaries being deconsolidated during the period ended 30 June 2015.

The gain on deconsolidation of these subsidiaries and the net cash outflow arising on deconsolidation of subsidiaries were set out as below.

**a) Gain on deconsolidation of subsidiaries**

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Prepayments, deposits and other receivables	–	11,679
Amounts due from deconsolidated fellow subsidiaries	–	2,087,170
Accounts payable	–	(133,710)
Amounts due to the intermediate holding company	–	(134,987)
Amounts due to fellow subsidiaries	–	(476)
Amounts due to deconsolidated fellow subsidiaries	–	(5,918,946)
Other payables and accruals	–	(46,710)
<b>Net liabilities of deconsolidated subsidiaries attributable to the Group</b>	<b>–</b>	<b>(4,135,980)</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**6. DECONSOLIDATION OF SUBSIDIARIES (Continued)****a) Gain on deconsolidation of subsidiaries (Continued)**

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Release of exchange fluctuation reserve	–	(1,446)
Net liabilities of deconsolidated subsidiaries attributable to the Group	–	4,135,980
Gain on deconsolidation of subsidiaries	–	4,134,534
<b>b) Net cash outflow arising on deconsolidation of subsidiaries</b>		
Cash and cash equivalents of deconsolidated subsidiaries	–	–
<b>c) Amounts due to deconsolidated subsidiaries were included in the consolidated statement of financial position as follows:</b>		
Other payables and accruals	–	389,932
Liabilities directly associated with the assets classified as held for sale	–	112,766
	–	502,698
<b>d) Impairment losses:</b>		
Impairment losses on amounts due from deconsolidated subsidiaries (Note)	–	135,461

Note:

There was no impairment made for the amounts due from deconsolidated subsidiaries for the period ended 30 June 2015. During the period ended 30 June 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 were recognised during the period ended 30 June 2014.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7. FINANCE COSTS

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest on:		
Bank and other loans		
– wholly repayable within five years	–	23,066
– not wholly repayable within five years	<b>13,916</b>	–
Loans from the immediate holding company		
– wholly repayable within five years	<b>742</b>	87
Loans from the ultimate holding company		
– wholly repayable within five years	<b>16</b>	–
– not wholly repayable within five years	<b>63,190</b>	59,083
Fixed rate guaranteed senior notes (the “Senior Notes Due 2012”)	–	35,096
Guaranteed senior convertible notes (the “Convertible Notes Due 2015”)	–	20,877
Guaranteed senior payment-in-kind notes (the “PIK Notes Due 2015”)	–	4,098
Notes payable (the “K-Line Notes Due 2013”)	–	2,221
Dividends on convertible preferred shares of the Company (the “Titan preferred shares”)	<b>7,304</b>	7,303
Other finance costs	–	906
<b>Total interest expenses</b>	<b>85,168</b>	152,737
Attributable to continuing operations	<b>11,201</b>	73,996
Attributable to discontinued operation (Note 5(b))	<b>73,967</b>	78,741
	<b>85,168</b>	152,737

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**8. (LOSS)/PROFIT BEFORE TAX**

The Group's (loss)/profit 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.

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation and amortisation	<b>29,213</b>	28,544
Bank interest income	<b>(11)</b>	(16)

**9. INCOME TAX CREDIT/(EXPENSE)**

Taxes on profits have been calculated at the rates of tax prevailing in the jurisdictions where the Group operates.

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

	<b>2015</b>	2014
Hong Kong	<b>16.5%</b>	16.5%
Singapore	<b>17.0%</b>	17.0%
The People's Republic of China ("Mainland China" or the "PRC")	<b>25.0%</b>	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 for the period ended 30 June 2015 (period ended 30 June 2014: HK\$Nil).

**Singapore**

No provision for taxation has been made as the subsidiaries in Singapore did not generate any assessable profit for the period ended 30 June 2015 (period ended 30 June 2014: HK\$Nil).

**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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**9. INCOME TAX CREDIT/(EXPENSE) (Continued)**

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current tax:		
Underprovision in prior periods – Hong Kong	–	17
Deferred taxation	<b>(128)</b>	–
<b>Total tax (credit)/expense for the period, continuing operations</b>	<b>(128)</b>	17

**10. DIVIDENDS**

The Board of Directors does not recommend the payment of an interim dividend for the period ended 30 June 2015 (period ended 30 June 2014: HK\$Nil).

**11. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY****From continuing and discontinued operations**

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

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purpose of basic (loss)/earnings per Share		
(Loss)/profit for the period attributable to owners of the Company	<b>(161,891)</b>	3,655,599
Effect of dilutive potential ordinary shares:		
Dividends on Titan preferred shares (Note)	–	7,303
Interest on Convertible Notes Due 2015 (net of tax)	–	20,877
(Loss)/earnings for the purpose of diluted (loss)/earnings per Share	<b>(161,891)</b>	3,683,779

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**11. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (Continued)****Number of Shares**

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per Share	<b>7,820,554,682</b>	7,820,554,682
Effect of dilutive potential ordinary shares:		
Titan preferred shares (Note)	–	1,263,414,634
Convertible Notes Due 2015	–	523,483,400
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per Share	<b>7,820,554,682</b>	9,607,452,716

**From continuing operations**

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

(Loss)/earnings figures are calculated as follows:

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
(Loss)/profit for the period attributable to owners of the Company	<b>(161,891)</b>	3,655,599
Less:		
Loss for the period from discontinued operation	<b>113,179</b>	115,906
(Loss)/earnings for the purpose of basic (loss)/earnings per Share from continuing operations	<b>(48,712)</b>	3,771,505
Effect of dilutive potential ordinary shares:		
Dividends on Titan preferred shares (Note)	–	7,303
Interest on Convertible Notes Due 2015 (net of tax)	–	20,877
(Loss)/earnings for the purpose of diluted (loss)/earnings per Share from continuing operations	<b>(48,712)</b>	3,799,685

Note:

As the Company failed to redeem the Titan preferred shares, the convertible right was deemed to continue for the purpose of calculating diluted (loss)/earnings per Share. No adjustment has been made to the basic loss per Share amounts presented for the period ended 30 June 2015 as the Titan preferred shares and the Convertible Notes Due 2015 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 (loss)/earnings per Share.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

#### From discontinued operation

Basic loss per Share for the discontinued operation is HK1.45 cents per Share (period ended 30 June 2014: HK1.48 cents per Share) and diluted loss per Share for the discontinued operation is HK1.45 cents per Share (period ended 30 June 2014: HK1.21 cents per Share), based on the loss for the period from the discontinued operation of HK\$113,179,000 (period ended 30 June 2014: HK\$115,906,000) and the denominators detailed above for both basic and diluted (loss)/earnings per Share.

### 12. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2015, the Group, including those classified as held for sale, acquired property, plant and equipment at a cost of approximately HK\$44,000 (period ended 30 June 2014: HK\$36,000).

During the period ended 30 June 2015, the Group, including those classified as held for sale, did not dispose property, plant and equipment (period ended 30 June 2014: the aggregate carrying amount of approximately HK\$435,000).

### 13. INVESTMENT PROPERTY

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.

In the prior period, 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.

The fair value of the Group's investment property as at 30 June 2015 and 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 long 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. There has been no change from the valuation technique used in the prior year. As a result of the update, the loss arising on change in fair value of investment property of HK\$509,000 (period ended 30 June 2014: HK\$Nil) and deferred tax credit of HK\$128,000 (period ended 30 June 2014: HK\$Nil), has been recognised in the consolidated statement of profit or loss for the period in respect of the investment property.

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

Property valuation as at 30 June 2015 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**14. GOODWILL**

	(Unaudited) HK\$'000
<b>30 June 2015</b>	
At 1 January 2015 and 30 June 2015, net of accumulated impairments	–
At 30 June 2015 and 31 December 2014:	
Cost	<b>16,568</b>
Accumulated impairments	<b>(16,568)</b>
Net carrying amount	–

**15. ACCOUNTS RECEIVABLE**

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

As at 30 June 2015 and 31 December 2014, the accounts receivable were fully impaired.

**16. INTEREST-BEARING BANK AND OTHER LOANS**

As at 30 June 2015, the Group was in default on repayment of certain bank borrowings with overdue portion in principal amount of HK\$5,850,000 (31 December 2014: HK\$5,850,000).

**17. ACCOUNTS PAYABLE**

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

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

	<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
Over 12 months	<b>217,731</b>	217,731
	<b>217,731</b>	217,731

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 18. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals is an amount of HK\$390,151,000 (31 December 2014: HK\$390,121,000) in respect of amounts due to deconsolidated subsidiaries.

### 19. FIXED RATE GUARANTEED SENIOR NOTES (THE “SENIOR NOTES DUE 2012”)

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

The outstanding principal in respect of the Senior Notes Due 2012 as at 30 June 2015 and 31 December 2014 was US\$105,870,000 (equivalent to approximately HK\$825,786,000). On the maturity date, 19 March 2012, the Company was unable to repay overdue principal and interest on the Senior Notes Due 2012 in the amount of US\$105,870,000 (equivalent to approximately HK\$825,786,000) and US\$4,499,000 (equivalent to approximately HK\$35,092,000) respectively.

As a result of the above, a cross default was triggered in respect of a bilateral loan with a financial institution in an outstanding principal amount of US\$750,000 (equivalent to approximately HK\$5,850,000). An early redemption event was also triggered in respect of the Titan preferred shares and the Titan Group Investment Limited (“TGIL”) convertible preferred shares (the “TGIL preferred shares”) and caused the TGIL warrants issued to Saturn Storage Limited (“SSL”) to become exercisable.

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

Pursuant to the Creditors’ Scheme, all liabilities of the Company owed in respect of the Existing Notes will be compromised and discharged in exchange for the payment of Scheme Consideration in the form of, for every US\$1.00 of the amount of their claims arising under the Existing Notes:

- i) US\$0.10 in cash and US\$0.30 in new Shares to be issued by the Company; or
- ii) US\$0.20 in cash and US\$0.10 in new Shares to be issued by the Company.

Further details in respect of the above are included in the Circular.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 19. FIXED RATE GUARANTEED SENIOR NOTES (THE “SENIOR NOTES DUE 2012”) (Continued)

On 14 August 2014, the Company and certain beneficial owners of the Existing Notes constituting the informal creditors' committee entered into an agreement, pursuant to which those creditors agreed that their claims under the Existing Notes would be compromised under the terms of the Creditors' Scheme. 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 Note Creditors and of Non-Note Creditors (as defined in the Creditors' Scheme) (the “Scheme Meetings”) were held 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), 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. The Creditors' Scheme became effective and binding on the Company and all Scheme Creditors on the same date, 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”). Further details in respect of the above are included in the Company's announcement dated 6 November 2014.

Pursuant to the terms of the Creditors' Scheme, on 12 November 2014, the Company gave notice to all Scheme Creditors that the Bar Time (as defined in the Creditors' Scheme) shall be 5:00 p.m. (Hong Kong time) on 5 February 2015; any Scheme Creditors who failed to submit an Account Holder Letter (for each Note Creditor) or Notice of Claim (for each Non-Note Creditor) prior to that time would have no entitlement to Scheme Consideration under the Creditors' Scheme, yet would have their claims against the Company compromised and discharged in accordance with the terms of the Creditors' Scheme. Further details in respect of the above are included in the Company's announcement dated 12 November 2014.

The distribution of scheme consideration to Scheme Creditors under the Creditors' Scheme is to be funded from the proceeds of the open offer put forward by the Company on the basis of one Offer Share for every two existing Shares held by the qualifying shareholders on the record date with the issuance of warrants of the Company (the “Warrants”) on the same terms as those being offered to the subscribers for no additional consideration to the qualifying shareholders who take up the Offer Shares on the basis of one Warrant for one of Offer Share taken up (the “Open Offer”) and subscriptions. Given that the Open Offer and the subscriptions are yet to close, the implementation of the Creditors' Scheme has been delayed. Accordingly, at hearings on 6 March 2015 (Bermuda time), 29 July 2015 (Bermuda time) and 14 August 2015 (Bermuda time), the Bermuda Court agreed to extend the long stop date for completion of the Creditors' Scheme (as set out in the Creditors' Scheme) to 31 July 2015, 31 August 2015 and then 30 September 2015, respectively. Further details in respect of above are included in the Company's announcements on 9 March 2015, 30 July 2015 and 17 August 2015.

The Company has not recognised any gain derived from the Creditors' Scheme for the period ended 30 June 2015 (period ended 30 June 2014: HK\$Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 20. GUARANTEED SENIOR CONVERTIBLE NOTES (THE “CONVERTIBLE NOTES DUE 2015”)

On 28 July 2010 (27 July 2010, New York City Time), the Company issued US\$78,728,000 (equivalent to approximately HK\$614,078,000) aggregate principal amount of Convertible Notes Due 2015 in exchange for a number of tendered Senior Notes Due 2012.

The Convertible Notes Due 2015 were mature on 13 July 2015 with a single repayment at 151.621% of their principal amount, unless earlier redeemed, repurchased or purchased by the Company or converted. The Convertible Notes Due 2015 bear no interest, and are listed on the Singapore Exchange Securities Trading Limited. Holders of the Convertible Notes Due 2015 are entitled to convert them in a minimum principal amount of US\$1,000 or integral multiples of US\$500 in excess thereof based on an initial conversion rate of 10,915 conversion shares per US\$1,000 in principal amount of the Convertible Notes Due 2015, subject to adjustments.

On 6 September 2012, an event of default occurred under the Convertible Notes Due 2015 upon the winding-up petition against the Company remaining undismissed or unstayed for a period of 60 consecutive days as set out in note 30(b).

Pursuant to the Creditors' Scheme, all liabilities of the Company owed in respect of the Existing Notes will be compromised and discharged in exchange for the payment of Scheme Consideration in the form of, for every US\$1.00 of the amount of their claims arising under the Existing Notes:

- i) US\$0.10 in cash and US\$0.30 in new Shares to be issued by the Company; or
- ii) US\$0.20 in cash and US\$0.10 in new Shares to be issued by the Company.

Further details in respect of the above are included in the Circular.

On 14 August 2014, the Company and certain beneficial owners of the Existing Notes constituting the informal creditors' committee entered into an agreement, pursuant to which those creditors agreed that their claims under the Existing Notes would be compromised under the terms of the Creditors' Scheme. Further details in respect of the above are included in the Company's announcement dated 1 September 2014.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### **20. GUARANTEED SENIOR CONVERTIBLE NOTES (THE “CONVERTIBLE NOTES DUE 2015”) (Continued)**

On 22 October 2014, the Scheme Meetings were held 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), 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. The Creditors' Scheme became effective and binding on the Company and all Scheme Creditors on the same date, 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. Further details in respect of the above are included in the Company's announcement dated 6 November 2014.

Pursuant to the terms of the Creditors' Scheme, on 12 November 2014, the Company gave notice to all Scheme Creditors that the Bar Time (as defined in the Creditors' Scheme) shall be 5:00 p.m. (Hong Kong time) on 5 February 2015; any Scheme Creditors who failed to submit an Account Holder Letter (for each Note Creditor) or Notice of Claim (for each Non-Note Creditor) prior to that time would have no entitlement to scheme consideration under the Creditors' Scheme, yet would have their claims against the Company compromised and discharged in accordance with the terms of the Creditors' Scheme. Further details in respect of the above are included in the Company's announcement dated 12 November 2014.

The distribution of scheme consideration to Scheme Creditors under the Creditors' Scheme is to be funded from the proceeds of the Open Offer and Subscriptions. Given that the Open Offer and the subscriptions are yet to close, the implementation of the Creditors' Scheme has been delayed. Accordingly, at hearings on 6 March 2015 (Bermuda time), 29 July 2015 (Bermuda time) and 14 August 2015 (Bermuda time), the Bermuda Court agreed to extend the long stop date for completion of the Creditors' Scheme (as set out in the Creditors' Scheme) to 31 July 2015, 31 August 2015 and then 30 September 2015, respectively. Further details in respect of above are included in the Company's announcements on 9 March 2015, 30 July 2015 and 17 August 2015.

The Company has not recognised any gain derived from the Creditors' Scheme for the period ended 30 June 2015 (period ended 30 June 2014: HK\$Nil).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 21. GUARANTEED SENIOR PAYMENT-IN-KIND NOTES (THE “PIK NOTES DUE 2015”)

On 28 July 2010 (27 July 2010, New York City Time), the Company issued US\$14,193,000 (equivalent to approximately HK\$110,705,000) aggregate principal amount of PIK Notes Due 2015 in exchange for all of those Senior Notes Due 2012 tendered by Note Creditors.

The PIK Notes Due 2015 were mature on 13 July 2015 with a single repayment of the principal, unless earlier repurchased pursuant to the terms of the PIK Notes Due 2015 indenture. The PIK Notes Due 2015 bear interest at the rate of 8.5% per annum payable semi-annually in arrears commencing on 13 January 2011 either by cash or in the form of additional PIK Notes Due 2015, and are listed on the Singapore Exchange Securities Trading Limited.

On 6 September 2012, an event of default under the terms of the PIK Notes Due 2015 occurred upon the winding-up petition against the Company remaining undismissed or unstayed for a period of 60 consecutive days as set out in note 30(b).

Pursuant to the Creditors' Scheme, all liabilities of the Company owed in respect of the Existing Notes will be compromised and discharged in exchange for the payment of scheme consideration in the form of, for every US\$1.00 of the amount of their claims arising under the Existing Notes:

- i) US\$0.10 in cash and US\$0.30 in new Shares to be issued by the Company; or
- ii) US\$0.20 in cash and US\$0.10 in new Shares to be issued by the Company.

Further details in respect of the above are included in the Circular.

On 14 August 2014, the Company and certain beneficial owners of the Existing Notes constituting the informal creditors' committee entered into an agreement, pursuant to which those creditors agreed that their claims under the Existing Notes would be compromised under the Creditors' Scheme. Further details in respect of the above are included in the Company's announcement dated 1 September 2014.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### **21. GUARANTEED SENIOR PAYMENT-IN-KIND NOTES (THE “PIK NOTES DUE 2015”) (Continued)**

On 22 October 2014, the Scheme Meetings were held 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), 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. The Creditors' Scheme became effective and binding on the Company and all Scheme Creditors on the same date, 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. Further details in respect of the above are included in the Company's announcement dated 6 November 2014.

Pursuant to the terms of the Creditors' Scheme, on 12 November 2014, the Company gave notice to all Scheme Creditors that the Bar Time (as defined in the Creditors' Scheme) shall be 5:00 p.m. (Hong Kong time) on 5 February 2015; any Scheme Creditors who failed to submit an Account Holder Letter (for each Note Creditor) or Notice of Claim (for each Non-Note Creditor) prior to that time would have no entitlement to scheme consideration under the Creditors' Scheme, yet would have their claims against the Company compromised and discharged in accordance with the terms of the Creditors' Scheme. Further details in respect of the above are included in the Company's announcement dated 12 November 2014.

The distribution of scheme consideration to Scheme Creditors under the Creditors' Scheme is to be funded from the proceeds of the Open Offer and subscriptions. Given that the Open Offer and the subscriptions are yet to close, the implementation of the Creditors' Scheme has been delayed. Accordingly, at hearings on 6 March 2015 (Bermuda time), 29 July 2015 (Bermuda time) and 14 August 2015 (Bermuda time), the Bermuda Court agreed to extend the long stop date for completion of the Creditors' Scheme (as set out in the Creditors' Scheme) to 31 July 2015, 31 August 2015 and then 30 September 2015, respectively. Further details in respect of above are included in the Company's announcements on 9 March 2015, 30 July 2015 and 17 August 2015.

The Company has not recognised any gain derived from the Creditors' Scheme for the period ended 30 June 2015 (period ended 30 June 2014: HK\$Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 22. CONVERTIBLE PREFERRED SHARES

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 informed the Company that it (through one of its wholly owned subsidiaries) had agreed, subject to the fulfilment of certain conditions precedent, to acquire all beneficial interests in the Titan preferred shares from SPHL.

On 10 October 2013, SPHL entered into certain arrangements, including the execution of an instrument of transfer, a declaration of trust and an irrevocable power of attorney by SPHL in favour of Docile Bright Investments Limited ("DBIL"), a subsidiary of GZE whereby DBIL became entitled to the benefit of all interests arising under or in connection with the Titan preferred shares.

The Company and DBIL (as the lawful attorney of SPHL) subsequently entered into a deed dated 22 August 2014 (as supplemented and amended on 27 February 2015 and 28 May 2015) (the "Listco Preferred Shares Modification Deed") in relation to, among others, the extension of the redemption period of the Titan Preferred Shares and the restriction of the conversion of the Titan Preferred Shares. Pursuant to the Listco Preferred Shares Modification Deed, DBIL and the Company have agreed that (i) the purported redemption notice relating to the Titan Preferred Shares as issued by SPHL on 4 July 2012 cannot be completed as a matter of applicable law and shall, for all purposes, be treated for as being withdrawn, ab initio and of no legal effect; (ii) the terms of the Bye-Laws shall be amended so that the earliest date of a notice of redemption of the Titan Preferred Shares may be served on the Company is the 3rd anniversary of the actual date when the Restructuring becoming effective and the Release Date (as defined in the Circular) having occurred; (iii) the conversion price of the Titan Preferred Shares are subject to adjustment except that no adjustment will be made to the conversion price of the Titan Preferred Shares when Shares or other securities are issued, offered or granted pursuant to the conversion of the Titan Preferred Shares or the Restructuring; and (iv) no conversion of the Titan Preferred Shares shall occur until the date falling six months after the date on which trading in Shares have resumed on the Stock Exchange provided always that if the Company considers that it would no longer satisfy minimum public shareholding requirement under Rule 8.08 of the Listing Rules immediately following a conversion of the Titan Preferred Shares.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 22. CONVERTIBLE PREFERRED SHARES (Continued)

The Listco Preferred Shares Modification Deed is conditional upon the fulfillment of the following conditions:

- i) the due execution of the written resolutions and all other authorisations necessary for the implementation of the transactions contemplated by the Listco Preferred Shares Modification Deed having been obtained or complied with including without limitation any applicable requirements of the Stock Exchange, the Act and the Bye-Laws;
- ii) the passing of each of the resolutions to be passed by the shareholders at the Special General Meeting approving the terms of the Restructuring;
- iii) the approval and sanction of the Creditors' Scheme by the Bermuda Court in accordance with section 99 of the Act;
- iv) each condition precedent (or such other condition) required to be satisfied pursuant to the terms of each other document in relation to the Creditors' Scheme and the Resumption Proposal (other than that all the conditions precedent of the Listco Preferred Shares Modification Deed having been fulfilled or waived) having been satisfied or waived for the purpose of making each document in relation to the Creditors' Scheme and the Resumption Proposal effective in accordance with its terms;
- v) the Company having obtained the approval of the independent shareholders in the general meeting in respect of the Whitewash Waiver; and
- vi) the grant of the Whitewash Waiver by the Executive.

As at the date of this report, the conditions (ii) (iii), (iv), (v) and (vi) set out above have been satisfied. As originally agreed, all conditions set out above were required to be completed prior to 31 May 2015. However, as disclosed in the Company's announcement dated 28 May 2015, on 28 May 2015, the Company and DBIL entered into a supplemental agreement, pursuant to which the parties agreed to extend the long stop date for the satisfaction of the conditions under the Listco Preferred Shares Modification Deed to 31 July 2015. The parties to the Listco Preferred Shares Modification Deed subsequently agreed to further extend the long stop date to 31 August 2015.

Further details in respect of the above was included in the Circular and announcement on 7 August 2015.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 23. 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\$25,000,000 (equivalent to approximately HK\$195,000,000) 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 were 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 had the right to redeem the notes in full prior to maturity date at the Applicable Redemption Amount, while K-Line had 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.

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

On 17 April 2014, K-Line, Titan Shipyard Holdings Limited (“Shipyard Holdings”) and the Company entered into a support agreement, pursuant to which K-Line agreed to support the Restructuring and the Creditors’ Scheme and 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. On 8 October 2014, the same parties entered into a settlement agreement whereby K-Line agreed to accept a payment equivalent to US\$0.10 in cash in respect of every US\$1.00 of the principal outstanding under the K-Line Notes Due 2013 and interest as at 9 July 2012.

### 24. LOANS FROM THE IMMEDIATE HOLDING COMPANY

On 12 March 2013, the Company entered into a loan agreement with Fame Dragon International Investment Limited (“Fame Dragon”) pursuant to which Fame Dragon agreed to provide 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 (the “First Loan Agreement”), subject to the dismissal, stay or adjournment of the hearing of the SPHL Petition and the application of provisional liquidators, in order to allow time for the Company to implement the debt restructuring proposal. Details of the above was set out in the Company’s announcement dated 15 March 2013.

However, certain events of default occurred under the First Loan Agreement, most notably the appointment of Mr. Garth Calow and Ms. Alison Tomb as the JPLs of the Company with limited powers on 18 October 2013 (Bermuda time). Accordingly, the loans from the immediate holding company from the First Loan Agreement of HK\$3,000,000 were then presented as current liabilities as at 30 June 2015 and 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 approximately HK\$62,240,000 at an interest rate of 2% per annum payable on maturity (the “Second Loan Agreement”) subject to certain conditions precedent being satisfied. Details of the Second Loan Agreement were set out in the Company’s announcement dated 11 March 2014. As at 30 June 2015, the loans from the immediate holding company from the Second Loan Agreement of HK\$18,541,000 and HK\$37,641,000 (31 December 2014: HK\$Nil and HK\$48,681,000) were repayable within one year and beyond one year, respectively.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**24. LOANS FROM THE IMMEDIATE HOLDING COMPANY (Continued)**

On 27 February 2015, the Company entered into another loan agreement with Fame Dragon in relation to the provision of an uncommitted term loan of US\$10,000,000 at an interest rate of 2% per annum by Fame Dragon to the Company (the "2015 Loan Agreement"). As at 30 June 2015, the loans from the immediate holding company from the 2015 Loan Agreement of HK\$46,798,000 (31 December 2014: HK\$Nil) were repayable beyond one year.

**25. SHARE CAPITAL****Shares**

	30 June 2015 (Unaudited)		31 December 2014 (Audited)	
	Number of Shares	Nominal value of Shares HK\$'000	Number of Shares	Nominal value of Shares HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each at 30 June 2015/31 December 2014	14,445,000,000	144,450	14,445,000,000	144,450
Convertible preferred shares of HK\$0.01 each at 30 June 2015/31 December 2014	555,000,000	5,550	555,000,000	5,550
<b>Issued and fully paid:</b>				
Ordinary shares of HK\$0.01 each at 1 January and 30 June 2015/31 December 2014	7,820,554,682	78,206	7,820,554,682	78,206
Convertible preferred shares of HK\$0.01 each at 1 January and 30 June 2015/ 31 December 2014	555,000,000	5,550	555,000,000	5,550

Notes:

- During the period ended 30 June 2015 and year ended 31 December 2014, none of the Convertible Notes Due 2015 were converted into ordinary shares.
- All ordinary shares rank pari passu in all respects.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 26. DEFICITS

	Notes	Share premium HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	PRC statutory reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2015		2,473,241	18,261	5,784	175	108,105	154,863	(6,671,269)	(3,910,840)
Total comprehensive loss for the period		-	-	-	-	-	(588)	(161,891)	(162,479)
Transfer to accumulated losses upon lapse of share options after vesting period		-	-	(2,459)	-	-	-	2,459	-
At 30 June 2015 (Unaudited)		2,473,241	18,261	3,325	175	108,105	154,275	(6,830,701)	(4,073,319)
At 1 January 2014		2,473,241	18,261	6,236	175	-	150,650	(10,451,095)	(7,802,532)
Total comprehensive income for the period		-	-	-	-	107,605	4,331	3,655,599	3,767,535
Transfer to accumulated losses upon lapse of share options after vesting period		-	-	(452)	-	-	-	452	-
Released upon deconsolidation of subsidiaries	6(a)	-	-	-	-	-	1,446	-	1,446
At 30 June 2014 (Unaudited)		2,473,241	18,261	5,784	175	107,605	156,427	(6,795,044)	(4,033,551)

**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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 26. DEFICITS (Continued)

#### **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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**27. OPERATING LEASE ARRANGEMENTS****As lessee**

At 30 June 2015, leases for an office premise and a warehouse are negotiated for terms ranging from one to three years.

At 31 December 2014, leases for an office premise, a warehouse and staff quarters were negotiated for terms ranging from one to three years.

At 30 June 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
<b>Office premise, warehouse and staff quarters*</b>		
Within one year	<b>1,922</b>	3,897
	<b>1,922</b>	3,897

\* At 30 June 2015 and 31 December 2014, such commitments included the disposal group classified as held for sale.

**28. COMMITMENTS**

	<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
Commitments for shipbuilding and ship repair facilities in Mainland China*	<b>868,624</b>	867,953

\* At 30 June 2015 and 31 December 2014, such commitments were associated with the disposal group classified as held for sale.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 29. GUARANTEES

As at 30 June 2015, guarantees with aggregated amounts of HK\$321,996,000 (31 December 2014: HK\$321,996,000) were given by the Company to (i) a bank for a loan to a subsidiary of the Group, (ii) shipowners for the charter hire expenses to a subsidiary of the Group which was put into liquidation in 2014 and (iii) the K-Line Notes Due 2013.

As at 30 June 2015, an amount of HK\$321,996,000 (31 December 2014: HK\$321,996,000) has been recognised in the Company's statement of financial position.

As at 30 June 2015, guarantees in the aggregate amount of HK\$113,155,000 (31 December 2014: HK\$113,155,000) had been provided to a deconsolidated subsidiary to shipowners 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 30 June 2015 and 31 December 2014.

### 30. CONTINGENT LIABILITIES

#### a) Arbitrations

##### **Arbitrations Proceedings between KTL Mayfair Inc. ("Mayfair"), the Company and TSL**

Mayfair served notices of arbitration on both TSL and the Company on 16 July 2013. This, together with the arbitration proceedings between the Company and Edinburgh Navigation S.A. ("Edinburgh"), the Company and Camden, Edinburgh and TSL, and Camden and TSL are collectively defined as "Arbitration Proceedings".

The claims relate to disputes between the Company/TSL and Mayfair in relation to the alleged breaches by TSL of a bareboat charter party contract executed in 2010 (the "Charterparty"), including but not limited to the Company/TSL's failure to pay hire and contractual interest on hire; and the alleged failure to insure the Mayfair vessel. The total amount of Mayfair's claim is USD23,021,040.61 and SGD5,296,30. TSL and the Company have also counterclaimed against Mayfair for USD20,755,188.89.

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

- a) on the quantum of the claims by Camden, Edinburgh and Mayfair (collectively, the "Creditor Debt") to be recognised as unsecured claims (the "Agreed Claim Amounts") in the Restructuring by way of the Creditors' Scheme; and
- 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 arrangements between the Company, TSL and the Creditors in relation to the Arbitration Proceedings;

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 30. CONTINGENT LIABILITIES (Continued)

#### a) Arbitrations (Continued)

##### **Arbitrations Proceedings between KTL Mayfair Inc. ("Mayfair"), the Company and TSL (Continued)**

- 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 agreed under the Settlement Agreement that:

- i) during the Support Period, they would 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; 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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 30. CONTINGENT LIABILITIES (Continued)

#### a) Arbitrations (Continued)

##### **Arbitrations Proceedings between KTL Mayfair Inc. ("Mayfair"), the Company and TSL (Continued)**

- 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. 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 the Company and all Scheme Creditors (as defined in the Creditors' Scheme) on the same date, 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. Further details in respect of the above are included in the Company's announcement dated 6 November 2014.

As noted at note 33(d), the implementation of the Creditors' Scheme has been delayed and the long stop date for completion of the Creditors' Scheme has been extended by the Bermuda Court on numerous occasions, most recently to 30 September 2015. Further details in respect of the above are included in the Company's announcements dated 9 March 2015, 30 July 2015 and 17 August 2015.

##### **Arbitration Proceedings between the Company and Edinburgh; the Company and Camden; Edinburgh and TSL and Camden and TSL**

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

The parties involved in the aforesaid arbitrations are (i) the Company, TSL and Edinburgh and (ii) the Company, TSL and Camden. The claims relate to disputes arising out of the charterparty agreements (the "Charterparty Agreements") executed in 2010 entered into between TSL and Edinburgh/Camden in relation to the vessels MT Titan Aries/MT Titan Venus (the "Vessels"). In 2012, Frontline Management SA ("Frontline") as agents of the Vessels demanded the Vessels to be re-delivered sooner. TSL agreed to such redelivery relying on Frontline's representation that Frontline would arrange a suitable time charter arrangement such that TSL's oil storage business would not be affected (the "New Arrangement"). However, Frontline, later refused to carry on with the New Arrangement. The Company is now claiming that the conduct of Edinburgh/Camden has resulted in TSL not being able to perform its oil storage business and suffered loss as a result. The total amount of claim against each of Edinburgh and Camden is USD20,755,188.89. Edinburgh and Camden have also counterclaimed against the Company and TSL for USD7,449,911.02 and USD6,425,312.50 respectively.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**30. CONTINGENT LIABILITIES (Continued)****a) Arbitrations (Continued)****Arbitration Proceedings between the Company and Edinburgh; the Company and Camden; Edinburgh and TSL and Camden and TSL (Continued)**

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

- i) during the Support Period, they would 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; 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;



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 30. CONTINGENT LIABILITIES (Continued)

#### a) Arbitrations (Continued)

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

- 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. 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 the Company and all Scheme Creditors (as defined in the Creditors' Scheme) on the same date, 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. Further details in respect of the above are included in the Company's announcement dated 6 November 2014.

As noted at note 33(d), the implementation of the Creditors' Scheme has been delayed and the long stop date for completion of the Creditors' Scheme has been extended by the Bermuda Court on numerous occasions, most recently to 30 September 2015. Further details in respect of the above are included in the Company's announcements dated 9 March 2015, 30 July 2015 and 17 August 2015.

#### b) Bermuda Proceedings

On 4 July 2012, the Company received from SPHL a notice to redeem all of the outstanding 555,000,000 Titan preferred shares held by it at a redemption amount equal to the notional value of the Titan preferred shares (being HK\$310,800,000) 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 and sought the appointment of a provisional liquidator against the Company. Further details 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 30. CONTINGENT LIABILITIES (Continued)

#### b) Bermuda Proceedings (Continued)

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

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

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

On 19 July 2013 (Bermuda time), the Company made an application to the Bermuda Court seeking to (a) stay the Petition pending arbitration between the Company and Camden or (b) strike out the 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;
- iv) Camden was allowed to be substituted as the petitioner in place of SPHL and granted leave to amend the Petition. Camden was also awarded its costs against the Company of the Camden Substitution Application; and
- v) the hearing of the 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 30. CONTINGENT LIABILITIES (Continued)

#### b) Bermuda Proceedings (Continued)

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 over the Company on 6 August 2013 (Bermuda time) (the "PLs Application").

The Company made an application 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 ground that there was a substantive dispute as to the legitimacy of Camden's claim which formed the basis for the Petition (the "Leave to Appeal Application").

The 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 Act) 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 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 to establish the Informal Committee.

On 18 October 2013 (Bermuda time), the Bermuda Court ordered the appointment of Mr. Garth Calow and Ms. Alison Tomb, both of PricewaterhouseCoopers, as the JPLs of the Company with the powers as set out in the Company's announcement dated 22 October 2013.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 30. CONTINGENT LIABILITIES (Continued)

#### b) Bermuda Proceedings (Continued)

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 the 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 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 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 also required the Company to consult and agree upon an extension of the powers of the JPLs (the "Extension of the JPL's Powers"). Further details are included in the Company's announcement dated 18 December 2013.

On 14 February 2014, the orders made by the Bermuda Court on 18 October 2013 (Bermuda time) in relation to the appointment of the JPLs were 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;

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 30. CONTINGENT LIABILITIES (Continued)

#### b) Bermuda Proceedings (Continued)

- i) (Continued)
  - 3) to review the financial position of the Company and in particular to assess the feasibility of any restructuring proposal of the Company;
  - 4) to monitor the continuation of the business of the Company by the existing Board;
  - 5) to monitor, consult with and otherwise liaise with the creditors and shareholders of the Company in determining whether any restructuring proposal will be successfully implemented; and
  - 6) to see, review and copy books, papers, writings, documents and records in the possession or control of the Company situate in Bermuda or in any other jurisdiction, solely insofar as reasonably necessary to permit the JPLs to exercise and discharge their powers and functions;
- ii) save as specifically set out in the order, the JPLs will have no general or additional powers or duties with respect to the property or records of the Company, and the Board will continue to manage the Company's affairs in all respects and exercise the powers conferred upon it by the Company's Memorandum of Association and Bye-laws, provided always that, should the JPLs consider at any time that the Board is not acting in the best interests of the Company and its creditors, the JPLs shall have the power to report the same to the Bermuda Court and seek such directions from the Bermuda Court as the JPLs are advised are appropriate;
- iii) the JPLs shall be entitled to receive advance materials, receive advance notice of, and, at the expense of the Company, attend all Board meetings and such meetings of management as the JPLs request;
- iv) the Company shall at all times comply with the Funding Terms referred to in the letter, dated 13 February 2014, from the JPLs to the Company; and
- v) the Company shall procure that any necessary instructions are given to the liquidator of TGIL (the "Liquidator") to ensure that any dividends payable by the Liquidator after the date of the order be paid into an account to be nominated by the JPLs to be held in such account for the benefit of creditors until otherwise directed by the Bermuda Court.

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

On 28 February 2014 (Bermuda time), the Bermuda Court ordered a further adjournment of the 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 announcements dated 4 March 2014 and 6 March 2014 respectively.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 30. CONTINGENT LIABILITIES (Continued)

#### b) Bermuda Proceedings (Continued)

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

- i) the Company be permitted to enter into the Loan Agreement with Fame Dragon;
- ii) the Petition be adjourned to 17 April 2014; and
- iii) 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 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 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 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), 27 March 2015 (Bermuda time), 10 April 2015 (Bermuda time), 8 May 2015 (Bermuda time), 29 May 2015 (Bermuda time), 3 July 2015 (Bermuda time), 29 July 2015 (Bermuda time) and 14 August 2015 (Bermuda time), the Bermuda Court ordered a further adjournment of the Petition 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 (Bermuda time), 10 April 2015 (Bermuda time), 8 May 2015 (Bermuda time), 29 May 2015 (Bermuda time), 3 July 2015 (Bermuda time), 29 July 2015 (Bermuda time), 14 August 2015 (Bermuda time) and 28 August 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, 30 March 2015, 13 April 2015, 11 May 2015, 1 June 2015, 6 July 2015, 30 July 2015 and 17 August 2015, respectively.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 30. CONTINGENT LIABILITIES (Continued)

#### c) BVI Proceedings

On 18 June 2012, the Company received from SSL two notices to exercise its redemption rights in respect of the TGIL preferred shares and the TGIL convertible unsecured notes (the "TGIL Notes Due 2014"). SSL also applied for an order appointing joint and several provisional liquidators over TGIL on that date.

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

On 18 July 2012 (BVI time), 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 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 concerning the settlement of the BVI proceedings, and it is anticipated that all claims will be settled pursuant to a settlement deed to be entered into between the parties. However, up to the date of this report, the settlement deed has not been signed.

The liquidators of TGIL have made a number of distributions to creditors of TGIL, but continue to hold certain funds pending the resolution of certain tax issues.

#### d) Hong Kong Proceedings

On 19 July 2012, the Company was served with a writ of summons (the "Writ") issued by SSL 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 sought, among other remedies, specific performance of the IRA, injunctive relief, declaratory relief, an indemnity, damages, interest and costs (the "Hong Kong Proceedings"). 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 High Court of the Hong Kong Special Administrative Region (the "Hong Kong High Court"), among other things, stayed the proceedings for a period of 90 days which was then subsequently extended until 15 March 2013.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 30. CONTINGENT LIABILITIES (Continued)

#### d) Hong Kong Proceedings (Continued)

On 15 November 2013, SSL was ordered by the Hong Kong High 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 High Court fixed a second case management conference for hearing on 21 November 2014 and further adjourned the hearing to 13 March 2015. On 12 March 2015, the Hong Kong High 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 to be stayed until 30 April 2015. On 19 June 2015, the Hong Kong High Court ordered (by consent) that (i) the second case management conference fixed to be heard on 7 July 2015 be vacated; and (ii) all future proceedings be stayed until 6 September 2015 pending finalisation of the global settlement among the parties.

On 12 December 2014, the Company obtained permission from the Bermuda Court to enter into a deed of settlement with SSL and other relevant parties relating to the Hong Kong Proceedings. Following further discussions between the parties, the Company shall seek permission from the Bermuda Court to enter into a revised version of the settlement deed in the near future, prior to executing the same.

#### e) 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\$2,125,135,000).

However, only RMB740,000,000 was received from Grand China Logistics, and, accordingly, the equity interest in Titan Quanzhou Shipyard was not transferred to Grand China Logistics. Further details in respect of the above are included in the Company's announcement dated 18 March 2012.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 30. CONTINGENT LIABILITIES (Continued)

#### e) PRC Proceedings (Continued)

On 30 May 2012, Titan Fujian received a summons pursuant to which Grand China Logistics sought, among other things, the termination of the GCL Sale and Purchase Agreement and the repayment to Grand China Logistics of an aggregate of RMB740,000,000 together with accrued interest. Grand China Logistics also sought orders requiring the Company to fulfill its obligation under its guarantee to repay such amount. 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).

On 23 August 2012, Titan Fujian filed certain counter-claims against Grand China Logistics seeking, among other remedies, specific performance on the GCL Sale and Purchase Agreement and supplemental agreements. The Company and Titan TQSL joined the action after they had completed the notarisation of documents as required by the PRC courts for offshore incorporated plaintiffs. Further details in respect of the above are included in the Company's announcement dated 29 August 2012.

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 30. CONTINGENT LIABILITIES (Continued)

#### e) PRC Proceedings (Continued)

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

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

Further, 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, 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") 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"). Titan Quanzhou Shipyard had been in default on its payment obligations under the Indebtedness and the Securities were 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 has been 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 30 June 2015 and 31 December 2014.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 31. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these unaudited condensed consolidated interim financial statements, the Group had the following major transactions with related parties for the periods ended 30 June 2015 and 2014:

#### a) Guarantees to GZE

At 30 June 2015, 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\$1,947,885,000) (31 December 2014: RMB1,526,742,000 (equivalent to approximately HK\$1,946,165,000)) granted to Titan Quanzhou Shipyard.

#### b) Loans from the ultimate holding company

At 30 June 2015, 嵊泗海鑫石油有限公司 (Shengsi Haixin Petrochemical Co., Ltd) (“Shengsi Haixin”) had a loan from GZE in the principal amount of RMB36,367,000 (equivalent to approximately HK\$46,399,000) (31 December 2014: RMB36,367,000 (equivalent to approximately HK\$46,358,000)) and interest accrued of RMB2,622,000 (equivalent to approximately HK\$3,344,000) (31 December 2014: RMB1,497,000 (equivalent to approximately HK\$1,909,000)). The loan was unsecured, carried at basic lending rate of the People’s Bank of China under same period and same grade and repayable beyond one year.

At 30 June 2015, 广州泰山石化有限公司 (Guangzhou Titan Petrochemical Co., Ltd) (“Guangzhou Titan”) had a loan from GZE in the principal amount of RMB43,880,000 (equivalent to approximately HK\$55,984,000) (31 December 2014: RMB43,880,000 (equivalent to approximately HK\$55,935,000)) and interest accrued of RMB3,163,000 (equivalent to approximately HK\$4,036,000) (31 December 2014: RMB1,807,000 (equivalent to approximately HK\$2,303,000)). 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 the 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 30 June 2015, the loan due to GZE was RMB1,526,742,000 (equivalent to approximately HK\$1,947,885,000) (31 December 2014: RMB1,526,742,000 (equivalent to approximately HK\$1,946,165,000)) and interest accrued of RMB110,065,000 (equivalent to approximately HK\$140,427,000) (31 December 2014: RMB62,857,000 (equivalent to approximately HK\$80,125,000)). The loan was secured, carried at basic lending rate of the People’s Bank of China under same period and same grade and repayable beyond one year.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**31. MATERIAL RELATED PARTY TRANSACTIONS (Continued)****b) Loans from the ultimate holding company (Continued)**

At 30 June 2015, Titan Quanzhou Shipyard had another loan from GZE in the principal amount of RMB800,000 (equivalent to approximately HK\$1,020,000) (31 December 2014: RMBNil) and interest accrued of RMB13,000 (equivalent to approximately HK\$16,000) (31 December 2014: RMBNil). The loan was unsecured, carried at basic lending rate of the People's Bank of China under the same period and same grade and repayable beyond one year.

**c) Loans from the immediate holding company**

At 30 June 2015, the Group had loans from Fame Dragon in the principal amount of HK\$105,980,000 (31 December 2014: HK\$51,681,000), and interest accrued of HK\$1,285,000 (31 December 2014: HK\$543,000).

The loans were unsecured, carried interests 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 24, the loans from the immediate holding company from the First Loan Agreement of HK\$3,000,000 were then presented as current liabilities as at 30 June 2015 and 31 December 2014.

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

**d) Amount due to the ultimate holding company**

At 30 June 2015, the Group had an amount due to GZE of RMB740,000,000 (equivalent to approximately HK\$944,125,000) (31 December 2014: RMB740,000,000 (equivalent to approximately HK\$943,291,000)) 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.

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

At 30 June 2015, 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\$1,115,000) (31 December 2014: RMB874,000 (equivalent to approximately HK\$1,114,000)), however, based on estimated irrecoverable amounts determined by reference to past experience, the Group had recognised an impairment loss of RMB874,000 (equivalent to approximately HK\$1,114,000) for the year ended 31 December 2014. At 30 June 2015, 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\$18,269,000) (31 December 2014: RMB14,319,000 (equivalent to approximately HK\$18,253,000)) which were unsecured, interest-free and had no fixed terms of repayment.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**32. 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 carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2015 and 31 December 2014 except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	Carrying amount		Fair value	
	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Loans from the ultimate holding company (non-current position)	102,383	102,293	110,700	107,528
Loans from the immediate holding company (non-current position)	84,439	48,681	86,704	49,965
	<b>186,822</b>	150,974	<b>197,404</b>	157,493

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

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

The Company did not have any financial assets nor liabilities measured at fair value as at 30 June 2015 and 31 December 2014.

**33. EVENTS AFTER THE REPORTING PERIOD**

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

**a) Listing status**

The Company submitted the Resumption Proposal on 5 May 2014 (and updated versions of the Resumption Proposal in response to the comments from the Stock Exchange 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 Stock Exchange granted conditional approval for a resumption of trading the Shares of the Company provided that the following Resumption Conditions were satisfied 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;



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 33. EVENTS AFTER THE REPORTING PERIOD (Continued)

#### a) Listing status (Continued)

- 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.

The deadline for satisfaction of the Resumption Conditions has been extended by the Stock Exchange first to 31 July 2015 and now to 18 September 2015.

#### ***Satisfaction of the Resumption Conditions***

As at the date of this report, only Resumption Condition 4) above has been satisfied; the Circular having been despatched to shareholders on 29 May 2015. Nevertheless, the Company has made significant progress towards completion of the remaining Resumption Conditions, further details of which are set out below.

#### *The Open Offer*

The Open Offer prospectus (the "Prospectus") was despatched to shareholders on 6 July 2015. As at 4:00 pm on Monday, 20 July 2015, being the latest time for acceptance of the Open Offer:

- a) a total of 12 valid acceptances of 586,883,922 Offer Shares provisionally allotted under the Open Offer, representing approximately 15.0% of the total number of Offer Shares available for subscription under the Open Offer, were received; and
- b) a total of 7 valid applications for excess Offer Shares in respect of 36,124,607,515 Offer Shares, representing approximately 1087% of the 3,323,393,419 Offer Shares available for excess application, were received.

The Open Offer was therefore over-subscribed by 32,801,214,096 Offer Shares and Fame Dragon (as underwriter) was not obliged to take up any of those shares pursuant to the underwriting agreement dated 5 May 2014 entered into between the Company and Fame Dragon (as supplemented and amended by the supplemental agreements dated 27 February 2015 and 28 May 2015) in relation to the underwriting of the Open Offer (the "Underwriting Agreement").



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**33. EVENTS AFTER THE REPORTING PERIOD (Continued)****a) Listing status (Continued)*****Satisfaction of the Resumption Conditions (Continued)****The Open Offer (Continued)*

As disclosed in the Prospectus, the results of the Open Offer were originally expected to be announced on 27 July 2015, with the certificates for Offer Shares and Warrants and the refund of cheques in respect of wholly or partially unsuccessful applications for the excess Offer Shares to be despatched on 28 July 2015.

As disclosed in the announcement dated 27 July 2015, the expected timetable of the Open Offer was delayed as a result of the share subscription agreements not being completed in accordance with their terms.

Accordingly, as disclosed in the announcement of the Company dated 7 August 2015, refund cheques (without interest) in respect of wholly or partially unsuccessful applications for the excess Offer Shares were despatched to shareholders by ordinary post on 10 August 2015.

As at the date of this report, neither the Open Offer nor the Subscription Agreements (as explained below) have been completed.

*Subscription Agreements*

Along with the Open Offer, the subscriptions also form a critical component of capital restructuring of the Company (the "Capital Restructuring"). Over the course of 2015, the identity of the subscribers has changed.

Subscription Agreements were entered into with CGL Resources Ltd ("CGL Resources"), New Berkeley Corporation ("New Berkeley") and Wahren Investments Limited ("Wahren Investments") in May 2014. However, in early March 2015, CGL Resources and New Berkeley advised the Company that they would not be proceeding with their proposed subscription for Shares in the Company under the CGL Resources Subscription Agreement (as defined in the Circular and the Prospectus) and the New Berkeley Subscription Agreement (as defined in the Circular and the Prospectus). Accordingly, on 27 March 2015, the Company reached an agreement with Victory Stand Limited ("Victory Stand") to subscribe for the Shares which CGL Resources and New Berkeley had previously agreed to subscribe for, on terms substantially similar to the CGL Resources Subscription Agreement and the New Berkeley Subscription Agreement ("Victory Stand Subscription Agreement").

As a result of certain conditions precedent under the subscription agreements failing to have been satisfied by 31 July 2015, Wahren Investments allowed its subscription agreement to lapse with effect on 1 August 2015. Accordingly, the Company identified an alternative subscriber, Paliburg Company Limited ("Paliburg"), to take the place of Wahren Investments. Paliburg entered into a subscription agreement dated 1 August 2015, which was conditional upon: (i) the Wahren Investments Subscription Agreement (as defined in the Circular and the Prospectus) terminating in accordance with its terms; and (ii) the Open Offer proceeds continuing to be held by the Company (the "Paliburg Subscription Agreement").

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 33. EVENTS AFTER THE REPORTING PERIOD (Continued)

#### a) Listing status (Continued)

##### *Satisfaction of the Resumption Conditions (Continued)*

###### *Subscription Agreements (Continued)*

In addition, on 24 July 2015, the entire issued share capital of Victory Stand was acquired by Sino Charm International Limited (“SCI”), an entity owned by Mr. Chan Shu Leung. The acquisition of Victory Stand did not automatically affect the terms and conditions of the Victory Stand Subscription Agreement. However, Victory Stand advised the Company that it would waive the remaining conditions precedent under the Victory Stand Subscription Agreement which remained outstanding and enter into an amended Subscription Agreement which would be conditional solely upon: (i) the Wahan Investments Subscription Agreement terminating in accordance with its terms; and (ii) the Open Offer proceeds continuing to be held by the Company.

As disclosed in the announcement of the Company dated 28 August 2015, both the Victory Stand Subscription Agreement and the Paliburg Subscription Agreement are contractually unconditional given that all conditions precedent contained therein have been satisfied. As at the date of this report, both subscribers of the Paliburg Subscription Agreement and the Victory Stand Subscription Agreement have not completed the respective subscription. On 28 August 2015, the Company issued a notice to each of the subscribers (the “Subscribers”) of the Paliburg Subscription Agreement and the Victory Stand Subscription Agreement requesting the Subscribers to confirm on or before 10:00 a.m. on Monday 31 August 2015 (the “First Deadline”) whether they will proceed to completion of the respective subscription by 3:00 p.m. on Tuesday, 1 September 2015 (the “Second Deadline”).

In the event that both of the Subscribers confirmed before the First Deadline that they will proceed to complete the subscriptions by the Second Deadline, the Paliburg Subscription Agreement and the Victory Stand Subscription Agreement are expected to be completed and the Open Offer will become unconditional on 2 September 2015. It is also expected that the other restructuring documents, including but not limited to, the Underwriting Agreement, the assumption agreement dated 20 August 2014 entered into among Fame Dragon, the Company and Titan Quanzhou Shipyard (as supplemented and amended on 15 September 2014, 27 February 2015 and 28 May 2015) pursuant to which a Fame Dragon agrees to assume certain debts payable to Titan Quanzhou Shipyard in consideration for the Company agreeing to allot and issue new Shares of the Company to Fame Dragon, subject to the compliance with any applicable requirements under the Listing Rules, at the issue price of HK\$0.1 per Share (the “Assumption Agreement”) and the Shipyard Termination Agreement, shall be completed on Wednesday, 2 September 2015. Certificates for the Offer Shares and Warrants in respect of the valid acceptances of provisional allotments and successful applications for excess Offer Shares are expected to be posted to the addresses (as shown in the register of members of the Company) of the relevant shareholders by ordinary post at their own risk, currently expected to be, on or around Wednesday, 2 September 2015 if the Open Offer becomes unconditional by Wednesday, 2 September 2015. In this case, the Directors expect that the Company will likely be able to fulfill the Resumption Conditions on or around 18 September 2015, being the current deadline for the fulfillment of the Resumption Conditions.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**33. EVENTS AFTER THE REPORTING PERIOD (Continued)****a) Listing status (Continued)*****Satisfaction of the Resumption Conditions (Continued)****Subscription Agreements (Continued)*

In the event that any of the Subscribers (i) confirmed before the First Deadline that it will not proceed to complete the relevant subscription by the Second Deadline; or (ii) did not confirm to the Company before the First Deadline that it will proceed to completion of the relevant subscription by the Second Deadline, then the Open Offer will not proceed and the refund cheque, without interest, in respect of all the successful applications for the Offer Shares will be despatched, on or around Monday, 31 August 2015 to the addresses (as shown in the register of members of the Company) of the relevant shareholders by ordinary post, at their own risks.

Further, if both of the Subscribers confirmed before the First Deadline that they will proceed to complete the subscriptions by the Second Deadline but eventually if any of the Subscribers did not complete the relevant subscription by the Second Deadline, then the Open Offer will not proceed and the refund cheque, without interest, in respect of all the successful applications for the Offer Shares will be despatched, on or around Wednesday, 2 September 2015 to the addresses (as shown in the register of members of the Company) of the relevant shareholders by ordinary post, at their own risks.

**b) Bermuda Proceedings**

At the hearing held on 3 July 2015 (Bermuda time), 29 July 2015 (Bermuda time) and 14 August 2015 (Bermuda time), the Bermuda Court ordered a further adjournment of the winding-up petition presented by Camden against the Company to 29 July 2015 (Bermuda time), 14 August 2015 (Bermuda time) and 28 August 2015 (Bermuda time), respectively. At the hearing held on 29 July 2015 (Bermuda time) and 14 August 2015 (Bermuda time), the Bermuda Court also made an order extending the long stop date of the Creditors' Scheme of the Company to 31 August 2015 and 30 September 2015, respectively.

Once the Open Offer and the subscriptions from Paliburg and Victory Stand close, the Company will be in a position to utilise the funds raised from those transactions to pay distributions to Scheme Creditors under the Creditors' Scheme. On the basis of the above timetable, the Company anticipates making such distributions on or around Monday, 24 August 2015. Pursuant to the terms of the Creditors' Scheme, all of the liabilities of the Company to Scheme Creditors would then be released (and the Creditors' Scheme would have been completed) on Monday, 7 September 2015 (being the Release Date under the Scheme).

It is also the intention of the Company to obtain an order from the Bermuda Court confirming that the winding-up petition will be dismissed and the JPLs discharged immediately upon the Release Date being achieved. Accordingly, each of the Resumption Conditions should have been satisfied by 8 September 2015.

Further detail in respect of the above was included in the Company's announcements dated 6 July 2015, 30 July 2015, 17 August 2015 and 18 August 2015.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 33. EVENTS AFTER THE REPORTING PERIOD (Continued)

#### c) Titan Resources Management Limited (“TRML”) Scheme

TRML, a wholly owned subsidiary of the Company, applied to the Hong Kong High Court to seek an order directing a meeting of certain creditors of TRML be convened for the purpose of considering a scheme of arrangement on 22 June 2015 (the “TRML Scheme”). At the request of TRML, the application was dismissed by the Hong Kong High Court on 15 July 2015.

In place of those proceedings, TRML applied for similar orders from the BVI Court. At the hearing on 17 July 2015, the BVI Court directed that two meetings of creditors of TRML be convened on 27 July 2015. The TRML Scheme was sanctioned by the BVI Court on 30 July 2015 and became effective and binding on the Company and all scheme creditors of TRML upon a copy of the order of the BVI Court being delivered to the Registry of Companies of BVI in accordance to section (179(A)) of the BVI Business Companies Act (2004) on 30 July 2015.

Further detail in respect of the above was included in the Company’s announcements dated 6 July 2015, 10 July 2015, 17 July 2015, 22 July 2015 and 14 August 2015.

#### d) Extension of long stop date of certain agreements in relation to the restructuring agreements

As disclosed in the announcement of the Company dated 2 June 2015 and the Circular, the long stop date of the (i) the debt rescheduling agreement dated 5 May 2014 entered into between Titan Quanzhou Shipyard and GZE (as amended and supplemented on 22 August 2014, 27 February 2015 and 28 May 2015) (the “Shipyard Debt Rescheduling Agreement”); (ii) the debt rescheduling agreement dated 5 May 2014 (as amended by supplemental agreements dated 22 August 2014, 27 February 2015 and 28 May 2015) and entered into among Guangzhou Titan, Titan Quanzhou Shipyard and GZE (the “TPG Debt Rescheduling Agreement”); (iii) the debt rescheduling agreement dated 5 May 2014 entered into between Shengsi Haixin and GZE (as amended by supplemental agreements on 22 August 2014, 27 February 2015 and 28 May 2015) (the “Haixin Debt Rescheduling Agreement”); (iv) the Listco Preferred Shares Modification Deed; (v) the deed poll dated 5 May 2014 executed by GZE in favour of the Company (as supplemented and amended by the supplemental agreements on 27 February 2015 and 28 May 2015) (the “GZE Excess Liabilities Undertaking”); (vi) the Assumption Agreement; (vii) the Underwriting Agreement; (viii) the Shipyard Termination Agreement; (ix) the memorandum of undertaking dated 5 May 2014 (as supplemented

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**33. EVENTS AFTER THE REPORTING PERIOD (Continued)****d) Extension of long stop date of certain agreements in relation to the restructuring agreements (Continued)**

and amended on 27 February 2015 and 28 May 2015) entered into between the Company and GZE in relation to the purchase order GZE conditionally agreed that it will or will procure to place with Titan Quanzhou Shipyard (the “GZE Purchase Order MOU”); (x) the loan agreement dated 22 August 2014 entered into between Titan Quanzhou Shipyard and GZE (as supplemented and amended by supplemental agreements on 27 February 2015 and 28 May 2015) in relation to the provision of the loan of not less than RMB60,000,000 by GZE to Titan Quanzhou Shipyard for its working capital (the “Working Capital Loan Agreement”); (xi) the Management Services Agreement; (xii) the FTSD Purchase Order Framework Agreement; (xiii) the Victory Stand Subscription Agreement; (xiv) the loan rescheduling agreements (i) dated 24 July 2014 (as supplemented and amended on 6 May 2015), (ii) dated 21 August 2014 (as supplemented and amended on 6 May 2015), and (iii) date 21 August 2014 (as supplemented and amended on 6 May 2015) entered into between Titan Quanzhou Shipyard and 福建旺得福能源有限公司 (Fujian Wonderful Energy Co., Ltd.) (“Fujian Wonderful”) a company incorporated in the PRC and an independent third party, pursuant to which Fujian Wonderful agreed to reschedule certain bank loans of the Group assigned to it so that the first repayment date of the bank loans will be postponed until 3 years from the date of the respective Loan Rescheduling Agreement (the “Loan Rescheduling Agreements”); and (xv) the Wahan Investments Subscription Agreement had been extended to or were binding until 31 July 2015. The parties to (i) the Shipyard Debt Rescheduling Agreement; (ii) the TPG Debt Rescheduling Agreement; (iii) the Haixin Debt Rescheduling Agreement; (iv) the Listco Preferred Shares Modification Deed; (v) the GZE Excess Liabilities Undertaking; (vi) the Assumption Agreement; (vii) the Underwriting Agreement; (viii) the Shipyard Termination Agreement; (ix) the GZE Purchase Order MOU; (x) the Working Capital Loan Agreement; (xi) the FTSD Purchase Order Framework Agreement; (xii) the Victory Stand Subscription Agreement; and (xiii) the Loan Rescheduling Agreements have agreed to extend the long stop date of the agreements to 31 August 2015 and the parties to the Management Services Agreement have agreed to extend the long stop date to 23 September 2015.

Further detail in respect of the above was included in the Company’s announcements dated 7 August 2015 and 14 August 2015.

## OTHER INFORMATION

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

At 30 June 2015, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as set out below.

#### (a) Interests of Directors

*Long positions in the Shares:*

Shares

Name of Director	Capacity	Number of Shares	Approximate % of shareholding
Mr. Zhao Xu Guang	Interest of controlled corporations	3,600,000,000	46.03

Note: Wahan Investments entered into the Wahan Investments Subscription Agreement with the Company on 6 May 2015. Wahan Investments is wholly owned by Mr. Zhao Xu Guang. By virtue of the SFO, Mr. Zhao is deemed to be interested in the 1,800,000,000 Shares and 1,800,000,000 Subscription Warrants to be held by Wahan Investments.

*Options outstanding under the 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	10,000,000	0.13

Note: Share options carrying rights to subscribe for ordinary shares of the Company were granted on 1 February 2008 pursuant to the share option scheme of the Company adopted in 2002.

Save as disclosed above, at 30 June 2015, none of the Directors or the chief executive of the Company had registered any interest 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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.



## OTHER INFORMATION

## SHARE OPTION SCHEME

Movements in the share options during the six months ended 30 June 2015 under the share option schemes adopted by the Company on 31 May 2002 (as amended on 24 June 2010) (the “2002 Share Option Scheme”) and on 20 June 2011 (the “New Share Option Scheme”) are set out below.

## a) 2002 Share Option Scheme

The following share options under the 2002 Share Option Scheme were outstanding at 30 June 2015:

Name or category of participant	Number of share options				At 30 June 2015	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$
	At 1 January 2015	Granted during the period	Lapsed during the period	Exercised during the period				
<b>Director</b>								
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	-	(10,000,000)	-	10,000,000			
<b>Other employees</b>								
In aggregate	450,000	-	(450,000)	-	-	1 February 2008	1 February 2010 to 31 January 2015	0.45
	5,070,000	-	(2,310,000)	-	2,760,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	5,100,000	-	(1,660,000)	-	3,440,000	1 February 2008	1 February 2012 to 31 January 2017	0.45
	5,620,000	-	(1,680,000)	-	3,940,000	1 February 2008	1 February 2013 to 31 January 2018	0.45
	16,240,000	-	(6,100,000)	-	10,140,000			
	36,240,000	-	(16,100,000)	-	20,140,000			

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

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

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

## b) New Share Option Scheme

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



## OTHER INFORMATION

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

At 30 June 2015, so far as is known to the Directors and the chief executive of the Company, the following persons had interests or short positions in the Shares and underlying Shares of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

#### Long positions:

Name	Capacity	Number of shares and underlying shares	Approximate percentage (%) of shareholding (Note 6)
Mr. Tsoi Tin Chun	Interest of controlled corporations	3,556,353,661	45.47
Ms. Tsoi Yuk Yi	Interest of spouse	3,556,353,661 (Note 1)	45.47
Titan Oil 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

## OTHER INFORMATION

<b>Name</b>	<b>Capacity</b>	<b>Number of shares and underlying shares</b>	<b>Approximate percentage (%) of shareholding (Note 6)</b>
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%
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%
GZE	Interest of controlled corporations/ Beneficial owner	7,477,026,002 12,977,584,415 (Note 4)	261.55%
	Interest of controlled corporations	555,000,000 Listco Preferred Shares	100%
Fame Dragon	Beneficial owner	7,477,026,002	261.55%
Wang Jianqing	Interest of controlled corporations	2,600,000,000 (Note 5)	33.25%
Cheng Xu	Interest of spouse	2,600,000,000 (Note 5)	33.25%
Victory Stand	Beneficial owner	2,600,000,000	33.25%
Wahen Investments	Beneficial owner	3,600,000,000	46.03%
DBIL	Beneficial owner	555,000,000 Listco Preferred Shares	100%

## OTHER INFORMATION

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

By virtue of the SFO, Mr. Tsoi and Ms. Tsoi were deemed to be interested in the shares of the Company held by Titan Oil, Great Logistics, TSICL and Vision Jade as at 30 June 2015.

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

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

Note 3: Based on the disclosure of interests notices filed with the Stock Exchange on 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.

## OTHER INFORMATION

Note 4: Zhuhai Zhen Rong Company (a PRC state-owned enterprise) and Hainan Li Jin Investment Co., Ltd. (“Hainan Li Jin”) were interested in 44.3% and 35% respectively in the share capital of GZE, and were deemed under the SFO to be interested in the shares in which GZE had an interest. Hainan 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 alia, 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.

Fame Dragon entered into the underwriting agreement on 5 May 2014 to underwrite the open offer on the basis of one offer share for every two existing shares held by the qualifying shareholders and is deemed to be interested in maximum 3,920,597,341 Shares to be issued.

In addition, GZE entered into an assumption agreement on 20 August 2014 (the “Assumption Agreement”) and the shipyard termination agreement on 5 May 2014 (the “Shipyard Termination Agreement”) and is deemed to be interested in the 2,282,024,653 Shares and 9,382,164,000 Shares to be issued under the Assumption Agreement and Shipyard Termination Agreement respectively.

Note 5: On 27 March 2015, Victory Stand Limited (“Victory Stand”) entered into the subscription agreement (the “Victory Stand Subscription Agreement”) with the Company. Victory Stand is wholly-owned by Mr. Wang Jianqing. Ms. Cheng Xu is the spouse of Mr. Wang Jianqing. As such, Victory Stand, Mr. Wang Jianqing and Ms. Cheng Xu are deemed to be interested in 1,300,000,000 Shares and 1,300,000,000 warrants to be issued under the Victory Stand Subscription Agreement.

Note 6: Based on 7,820,554,682 ordinary shares of the Company issued at 30 June 2015.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at 30 June 2015, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group.

## OTHER INFORMATION

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended 30 June 2015, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities during the period.

### **CORPORATE GOVERNANCE**

The Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2015 except for the deviations 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. Mr. Zhao Xu Guang, the Chairman of the Board, has been appointed as Chief Executive. 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.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the Company's code of conduct regarding director securities transactions. Having made specific enquiries of the relevant directors during the period, save as disclosed below, all the relevant directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2015.

### **REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

The members of the audit committee of the Company during the period and up to the date of this report were Mr. Lau Fai Lawrence (chairman), Mr. Foo Meng Kee, Mr. Lau Yiu Kit, Mr. Hu Zhong Shan and Ms. Xiang Siying.

The audit committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015.

### **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.