



Titan Petrochemicals Group Limited

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

A large, abstract graphic consisting of multiple overlapping, flowing lines in shades of blue and orange. The lines are thick and have a wavy, organic quality, creating a sense of movement and depth. The colors transition from a deep blue to a bright orange, with some lines appearing more translucent than others.

 2016
Interim Report

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Tang Chao Zhang (*Chief Executive*)
Zhang Weibing
Liu Liming

Non-executive Director

Fan Qinghua (*Chairman*)

Independent Non-executive Directors

Lau Fai Lawrence
Xiang Siying
Hu Hongwei

AUDIT COMMITTEE

Lau Fai Lawrence (*Chairman*)
Fan Qinghua
Xiang Siying

REMUNERATION COMMITTEE

Hu Hongwei (*Chairman*)
Zhang Weibing
Xiang Siying

NOMINATION COMMITTEE

Fan Qinghua (*Chairman*)
Xiang Siying
Lau Fai Lawrence

COMPANY SECRETARY

Wong Yu Kit

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 (Hong Kong) Limited
Industrial and Commercial Bank of China Limited
The Hongkong and Shanghai Banking Corporation Limited
Shanghai Pudong Development Bank Co., Ltd.
DBS Bank Limited

AUDITORS

HLB Hodgson Impey Cheng Limited

SOLICITORS

DLA Piper Hong Kong
Reed Smith Richards Butler
TSMP Law Corporation
Marshall Diel & Myers Limited
Guangdong Kings Law Firm
Beijing B&D (Guangzhou) Law Firm
Vivien Chan & Co

PRINCIPAL REGISTRARS

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

HONG KONG BRANCH REGISTRARS

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.petrotitan.com

STOCK CODE

1192



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 2016 and 30 June 2015. The profit before tax from continuing operations was HK\$1,360 million, compared to the loss before tax from continuing operations of HK\$49 million in the same period of 2015. The profit for the six months ended 30 June 2016 was HK\$1,361 million, mainly due to a non-cash gain of HK\$1,542 million arising from the completion of the restructuring of the Group during the period, compared to the loss of HK\$162 million in the same period of 2015, which 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.

BUSINESS REVIEW

The Group had 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\$27,000 as compared to HK\$43,000 in the same period prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

DISCONTINUED OPERATION

Shipbuilding (Shipyards)

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.

On 26 December 2013, 上海市第一中級人民法院 (Shanghai No. 1 Intermediate People's Court) (the "Shanghai Intermediate Court") approved the application by Grand China Logistics 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" until completion of the resumptions proposal of the Company (as amended from time to time), inter alia, (i) the Debt Restructuring; (ii) the Remaining Indebtedness Arrangements; (iii) the interim Financing Agreements; (iv) the Open Offer; (v) the Subscription; (vi) GZE Stand Working Capital Facility and (vii) business strategies of Restructured Group ("Restructuring").

After completion of the Restructuring, the Group will use Titan Quanzhou Shipyard as base for re-building its business. It will re-activate the shipbuilding and ship repair business it carried on before the Suspension and at the same time, expand into the business of offshore and marine engineering services, which primarily involves the construction, repair, conversion and upgrading of oil rigs used in connection with offshore oil and gas drilling operations as well as floating production, storage and offloading unit ("FPSO"), floating, storage and offloading vessel ("FSO"), floating, storage and regasification unit ("FSRU") and floating liquefied natural gas vessel ("FLNG"), which are support vessels used in those operations. Therefore the business was reclassified as "continuing operation" from "discontinued operation" after completion of the Restructuring during the period.

There was no revenue generated during the six months ended 30 June 2016 and 2015, and segment LBITDA was HK\$5 million and HK\$11 million for the six months ended 30 June 2016 and 2015 respectively.



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group's net liabilities amounted to HK\$427 million, compared to HK\$4,049 million as at 31 December 2015. As at 30 June 2016, net liabilities per share attributable to equity shareholders of the Group was HK1.39 cents (31 December 2015: HK51.77 cents).

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 2016,

a) The Group had:

- Cash and bank balances of HK\$264.2 million (31 December 2015: HK\$10.0 million), of which HK\$Nil (31 December 2015: HK\$0.1 million) was from the discontinued operation in respect of shipbuilding segment; restricted cash of HK\$26.6 million (31 December 2015: HK\$26.5 million) was from continuing operations. These balances were comprised of:
 - an equivalent of HK\$27.8 million (31 December 2015: HK\$28.5 million) denominated in US dollars ("USD")
 - an equivalent of HK\$0.2 million (31 December 2015: HK\$0.1 million) denominated in Singapore dollars ("SG\$")
 - an equivalent of HK\$0.4 million (31 December 2015: HK\$1.0 million), of which HK\$Nil (31 December 2015: HK\$0.1 million) was from the discontinued operation, denominated in Renminbi ("RMB")
 - HK\$262.4 million (31 December 2015: HK\$6.9 million) in Hong Kong dollars ("HK\$")
- Interest-bearing bank and other loans of HK\$245 million (31 December 2015: HK\$256 million), of which HK\$Nil (31 December 2015: HK\$250 million) was from the discontinued operation of shipbuilding segment. Floating rate loans denominated in USD amounted to HK\$Nil (31 December 2015: HK\$6 million). The Group's bank and other loans having maturities within one year amounted to HK\$Nil (31 December 2015: HK\$6 million) of which all were from continuing operations
- Loans from the ultimate holding company of HK\$1,900 million (31 December 2015: HK\$1,936 million), all of which having maturities over one year. Among such, HK\$Nil (31 December 2015: HK\$1,840 million) was from discontinued operation of shipbuilding segment
- Loans from the immediate holding company of HK\$170 million (31 December 2015: HK\$143 million). Among such, HK\$148 million (31 December 2015: HK\$143 million) had maturities over one year, HK\$19 million (31 December 2015: HK\$Nil) had maturities within 1 year, and HK\$3 million (31 December 2015: HK\$3 million) was in default, which were then presented as current liabilities as at 30 June 2016 and 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

- b) 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\$507 million (31 December 2015: HK\$2,839 million) and total assets of HK\$3,181 million (31 December 2015: HK\$2,997 million), of which HK\$Nil (31 December 2015: HK\$2,656 million) was from the discontinued operation of shipbuilding segment
 - Total bank and other loans of HK\$245 million (31 December 2015: HK\$256 million), of which HK\$Nil (31 December 2015: HK\$250 million) was from the discontinued operation in respect of shipbuilding segment
 - The Senior Notes Due 2012 of HK\$Nil (31 December 2015: HK\$882 million)
 - The Convertible Notes Due 2015 of HK\$Nil (31 December 2015: HK\$442 million)
 - The PIK Notes Due 2015 of HK\$Nil (31 December 2015: HK\$89 million)
 - Convertible preferred shares issued by the Company (the "Titan preferred shares") with a liability portion of HK\$443 million (31 December 2015: HK\$435 million)
 - Notes payable (the "K-Line Notes Due 2013") in the amount of HK\$Nil (31 December 2015: HK\$203 million)
 - Loans from the ultimate holding company of HK\$1,900 million (31 December 2015: HK\$1,936 million), of which HK\$Nil million (31 December 2015: HK\$1,840 million) was from the discontinued operation of shipbuilding segment
 - Loans from the immediate holding company of HK\$170 million (31 December 2015: HK\$143 million)

CHARGES ON ASSETS

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\$769 million (31 December 2015: HK\$785 million)
- Machinery with an aggregate net carrying value of HK\$69 million (31 December 2015: HK\$84 million)
- Buildings with an aggregate net carrying value of HK\$419 million (31 December 2015: HK\$435 million)
- Prepaid land/seabed lease payments with an aggregate net carrying value of HK\$249 million (31 December 2015: HK\$255 million)
- Investment property with an aggregate net carrying value of HK\$153 million (31 December 2015: HK\$156 million)
- Corporate guarantees executed by the Company and its subsidiaries



MANAGEMENT DISCUSSION AND ANALYSIS

- Corporate guarantees executed by the subsidiaries of the ultimate holding company
- Personal guarantees executed by a related party and a former director of the Company
- Certain Company shares owned by related parties of the Company

The fixed rate guaranteed senior notes (the "Senior Notes Due 2012") of HK\$Nil (31 December 2015: HK\$882 million), the guaranteed senior convertible notes (the "Convertible Notes Due 2015") of HK\$Nil (31 December 2015: HK\$442 million) and the guaranteed senior payment-in-kind notes (the "PIK Notes Due 2015") of HK\$Nil (31 December 2015: HK\$89 million) were secured by the shares of certain subsidiaries.

GEARING

The Group's current ratio was 0.39 (31 December 2015: 0.42). 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, decreased to 0.73 (31 December 2015: 1.32).

CAPITAL EXPENDITURES AND COMMITMENTS

During the six months ended 30 June 2016, there was no capital expenditure addition on property, plant and equipment (six months ended 30 June 2015: HK\$44,000).

As at 30 June 2016, the total amount of capital expenditure commitments contracted by the Group but not provided for was approximately HK\$850,243,000 (as at 31 December 2015: HK\$817,928,000), representing for shipbuilding and ship repair facilities in Mainland China. At 31 December 2015, such commitments were associated with the disposal group classified as held for sale.

SIGNIFICANT INVESTMENT

As at 30 June 2016 and 31 December 2015, there was no significant investment held by the Group.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the six months ended 30 June 2016 and 2015, the Group was not involved in any material acquisition and disposal of subsidiaries.

FOREIGN EXCHANGE EXPOSURE

The Group operated in Mainland China, Hong Kong and Singapore and primarily used RMB for the business in Mainland China, HK\$ in Hong Kong and US\$ and SG\$ in Singapore. The Group exposed to foreign exchange risk based on fluctuations between HK\$ and RMB arising from its core operation in the Mainland China. The Group does not undertake any derivatives financial instruments or hedging instruments for speculative purposes. The Group will constantly review the economic situation and its foreign currency risk profile, continue to actively monitor foreign exchange exposure to minimize the impact of any adverse currency movement.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group had 170 employees (31 December 2015: 173), of which 152 employees (31 December 2015: 151) worked in Mainland China, all of which were from Titan Quanzhou Shipyard, and 17 employees and 1 employee (31 December 2015: 20 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 2016.

DIVIDENDS

The board of directors (the "Board") of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$Nil).

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.



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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 22 July 2016 (Bermuda time).

At the hearing held on 23 June 2016 (Bermuda time), the Bermuda Court ordered that, among other things: (i) the terms of the scheme of arrangement (the “Scheme”) between the Company and its Scheme Creditors (as defined in the Scheme) sanctioned by the Bermuda Court on 5 November 2014 be modified in accordance with clause 19(b) of the Scheme; and (ii) immediately upon the Release Date (as defined in the Scheme), the winding-up petition be dismissed and the joint and several provisional liquidators be discharged.

At the hearing held on 22 July 2016 (Bermuda time), the Bermuda Court ordered that, among other things: (i) The joint provisional liquidators were discharged and released from their office; (ii) the winding up petition herein was discharged; and (iii) all injunctions ordered against the Company were discharged based on all conditions in the Order dated 23 June 2016 having been met and fulfilled as at 12:01 a.m. Hong Kong time on 15 July 2016.

The details are disclosed in note 29 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 issued by Titan Group Investment Limited (“TGIL”) (the “TGIL preferred shares”) and TGIL convertible unsecured notes (the “TGIL Notes Due 2014”), and SSL applied for an order to appoint joint and several provisional liquidators for, and to liquidate TGIL.

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

On 18 July 2012 (BVI time), Titan Oil Storage Investment Limited (“TOSIL”), a wholly owned subsidiary of the Company and a shareholder of TGIL, filed a notice of appeal (“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. The Appeal has been withdrawn as part of the settlement of all litigation relating to the Group pursuant to the settlement deed.

A numbers of distributions to creditors of TGIL is still in progress until the liquidators of TGIL released from all obligation under the Order.

The details are disclosed in note 29 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, 13 March 2015, 7 July 2015 and 17 November 2015 respectively. On 6 January 2016, the Hong Kong High Court ordered that the second case management conference fixed to be heard on 23 February 2016 be vacated and adjourned to 12 April 2016. On 8 April 2016, settlement has been reached in respect of Saturn Storage Limited's ("Saturn Storage") claims against the Company and Titan Oil Storage Investment Limited ("TOSIL") in the Hong Kong Proceedings, pursuant to which Saturn Storage's afore-said claims were dismissed by the Hong Kong Court of First Instance, with Saturn Storage, the Company and TOSIL each bearing its own costs, save for HK\$70,000 to be paid by Saturn Storage to the Company and TOSIL pursuant to an order for security for costs made on 15 November 2013. On 7 June 2016, the aforesaid sum of HK\$70,000 has been paid by Saturn Storage to the Company and TOSIL.

The details are disclosed in note 29 of the condensed consolidated financial statements.

d) Other Proceedings

Details of other proceedings are disclosed in the note 4 and note 17 to the condensed consolidated financial statements.

DEBT RESTRUCTURING

On 25 November 2013, the Company announced, among other things, to restructure the scheme claims of all creditors of the Company bound by a Bermudan Scheme of arrangement (the "Scheme Creditors") (the "Creditors' Scheme").

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



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On 11 March 2016 (Bermuda time), the Bermuda Court ordered to extend the long stop date of the Creditors' Scheme of the Company to 1 April 2016 (Bermuda time). On 1 April 2016 (Bermuda time), the Bermuda Court ordered to extend the long stop date of the Creditors' Scheme of the Company to 15 July 2016 (Bermuda time).

All the terms under the "GZE Excess Liabilities Undertaking", the "Working Capital Loan Agreement", the "Debt Rescheduling Agreements", the "Interim Financing Agreements", the "Loan Rescheduling Agreements" and the "GZE Purchase Order MOU" in relation to the debt restructuring have become effective on 24 June 2016. The details in respect of above contracts are included in the Circular on 13 May 2016.

LISTING STATUS AND RESUMPTION OF TRADING

The completion of the subscription agreements signed with Paliburg Company Limited and Victory Stand Limited had not been taken place by 4 September 2015. Accordingly, the open offer did not proceed and the agreements entered into pursuant to the restructuring did not become unconditional and had therefore lapsed and the whitewash waiver granted by the Securities and Futures Commission of Hong Kong and approved at the special general meeting of the Company held on 22 June 2015 was invalidated.

On 18 September 2015, the Listing Division of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") issued a letter to the Company informing the Company that they have decided to place the Company in the third stage of delisting under Practice Note 17 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The third stage of delisting will expire on 1 April 2016 and at the end of the third stage of delisting, if the Company does not provide a resumption proposal in accordance with the requirement of the Stock Exchange, the Stock Exchange will proceed with cancellation of the Company's listing.

According to the letter, the Company is required to submit a viable resumption proposal to the Stock Exchange at least 10 business days before the third stage of delisting expires (i.e. 15 March 2016) to addressing the following:

- i) the Company must demonstrate sufficient operations or assets under Rule 13.24;
- ii) the Company must publish all outstanding financial results and address any audit qualifications (if any);
and
- iii) the Company must have winding up petition against the Company withdrawn or dismissed and the JPLs discharged.

The Stock Exchange requires the resumption proposal to be submitted to the Stock Exchange must be clear, plausible and coherent, and contain sufficient details (including forecasts and clear plan for future business development) for the Stock Exchange's assessment and demonstrate compliance with the Listing Rules and all applicable laws and regulations.

The Company has submitted a resumption proposal on 16 October 2015 (Bermuda time) (the "Resumption Proposal"). In response to the comments from the Stock Exchange in respect of the Resumption Proposal, the Company has submitted to the Stock Exchange updated versions of the Resumption Proposal on 17 November 2015, 31 December 2015 and 25 January 2016. In support of the resumption proposal, the Company has also entered into certain agreements and certain supplemental agreements in relation to its business development and debt restructuring.

MANAGEMENT DISCUSSION AND ANALYSIS

On 14 March 2016, the Company received a letter from the Stock Exchange to allow the Company to proceed with the Resumption Proposal subject to satisfying of certain conditions by 15 July 2016, including among others:

- i) completion of all transactions contemplated under the Resumption Proposal; and
- ii) the Company must have the winding up petition withdrawn or dismissed and the provisional liquidators discharged.

All the Resumption Conditions were fulfilled as at 12:01 a.m. on 15 July 2016 (Hong Kong time). As all the Resumption Conditions have been fulfilled, trading in the Shares on the Stock Exchange resumed with effect from 9:00 a.m. on Friday, 15 July 2016.

OPEN OFFER AND SUBSCRIPTION OF NEW SHARES

During the six months ended 30 June 2016, open offer of 2,606,851,560 offer shares and 2,600,000,000 new shares were completed by a subscriber in aggregate at a subscription price of HK\$0.1 per subscription share on 30 June 2016.

USAGE OF FUND PROCEEDS

The Company raised approximately HK\$260,685,000 and HK\$260,000,000 through the open offer and subscription of shares respectively which took place on 30 June 2016. After deducting share issuance expense and professional fee regarding to the open offer and subscription of new shares, the net proceeds amounted to approximately HK\$519,183,000. The proceeds raised has been used for repayment to Existing Notes Creditors and the Non-Note Creditors and creditors of approximately HK\$264,631,000 and general working capital of approximately HK\$11,077,000. The remaining balance of the net proceeds was placed in bank accounts. The Group will apply the remaining net proceeds in the manner set out in the Circular of the Company dated 13 May 2016.



OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, the directors of the Company who held office did not have any interests 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above and "Share Option Scheme" below, 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

As at 30 June 2016, 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:

Name	Capacity	Number of issued ordinary shares held	Number of issued preferred shares held	Approximate percentage (%) of shareholding
長信基金管理有限責任公司	Beneficial interest	2,600,000,000	–	8.48%
He Xiaoqun	Corporate interest	20,358,629,484 (Note 1)	555,000,000 (Note 1)	66.47%/1.81%
Liang Wei	Corporate interest	20,358,629,484 (Note 1)	555,000,000 (Note 1)	66.47%/1.81%
Xia Yingyan	Corporate interest	20,358,629,484 (Note 1)	555,000,000 (Note 1)	66.47%/1.81%
海南利津投資有限公司 (Hainan Li Jin Investment Co. Ltd)	Corporate interest	20,358,629,484 (Note 1)	555,000,000 (Note 1)	66.47%/1.81%
珠海振戎公司 (Zhuhai Zhenrong Company)	Corporate interest	20,358,629,484 (Note 1)	555,000,000 (Note 1)	66.47%/1.81%
廣東振戎能源有限公司 (Guangdong Zhenrong Energy Co., Ltd) ("GZE")	Corporate interest	20,358,629,484 (Note 1)	555,000,000 (Note 1)	66.47%/1.81%

OTHER INFORMATION

Name	Capacity	Number of issued ordinary shares held	Number of issued preferred shares held	Approximate percentage (%) of shareholding
廣東振戎(香港)有限公司 (Guangdong Zhenrong (Hong Kong) Company Limited)	Corporate interest	20,358,629,484 (Note 1)	555,000,000 (Note 1)	66.47%/1.81%
榮龍國際投資有限公司 (Fame Dragon International Investment Limited)	Corporate interest/ Beneficial interest	17,175,982,179 (Note 1) 3,182,647,305 (Note 1)	–	56.08% 10.39%
Docile Bright Investments Limited ("DBIL")	Beneficial interest	–	555,000,000 (Note 1)	1.81%

Note 1:

Fame Dragon International Investment Limited 榮龍國際投資有限公司 is beneficially interested in 3,182,647,305 shares and 17,175,982,179 shares under controlled corporation, of which 970,238,775 shares are held by 宇景投資有限公司 (Universal View Investments Limited), of which 600,000,000 shares are held by 福貿有限公司 (Fukmao Limited), of which 537,280,577 shares are held by 榮豐香港投資有限公司 (Winford Hong Kong Investment Limited), of which 500,000,000 shares are held by 貴傑有限公司 (LINK ELITE LIMITED), of which 500,000,000 shares are held by 迅運環球有限公司 (FAST LUCK GLOBAL LIMITED), of which 75,127,953 shares are held by 廣聯環球有限公司 (WIDER LINK GLOBAL LIMITED). The above companies are directly, wholly and beneficially owned by Fame Dragon International Investment Limited 榮龍國際投資有限公司.

Fame Dragon International Investment Limited 榮龍國際投資有限公司 is directly, wholly and beneficially owned by 廣東振戎(香港)有限公司 (Guangdong Zhenrong (Hong Kong) Company Limited which is directly, wholly and beneficially owned by GZE.

Zhuhai Zhenrong Company (a PRC state-owned enterprise) and Hainan Li Jin Investment Company Limited ("Hainan Li Jin") were interested in 44.3% 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.

DBIL is directly, wholly and beneficially owned by Guangdong Zhenrong (Hong Kong) Company Limited which is directly, wholly and beneficially owned by GZE.

Note 2:

Based on 30,627,287,770 ordinary shares of the Company issued as at 30 June 2016.



OTHER INFORMATION

SHARE OPTION SCHEME

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

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

a) Summary of the Schemes

i) Purposes of the Schemes

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

ii) Participants in the Schemes

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

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

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

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

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

iv) Maximum entitlement of each participant

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

OTHER INFORMATION

v) Time of exercise of options

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

vi) Amount payable on acceptance

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

vii) Basis of determining the subscription price

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

- i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of the offer;
- ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and
- iii) the nominal value of a Share.

viii) Remaining life of the Schemes

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

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



OTHER INFORMATION

b) Share Option Movements

i) 2002 Share Option Scheme

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

Name or category of participant	Number of share option					At 30 June 2016	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$
	At 1 January 2016	Granted during the year	Lapsed during the year	Exercised during the year	At 30 June 2016				
Other employees									
In aggregate	2,680,000	-	(2,680,000)	-	-	1 February 2008	1 February 2011 to 31 January 2016	0.45	
	3,360,000	-	-	-	3,360,000	1 February 2008	1 February 2012 to 31 January 2017	0.45	
	3,840,000	-	-	-	3,840,000	1 February 2008	1 February 2013 to 31 January 2018	0.45	
	9,880,000	-	(2,680,000)	-	7,200,000				
	*11,601,096	-	*(3,146,856)	-	*8,454,240			*0.3832	

* Number of shares issued for the conversion of the Share Options after adjustment as a result of the completion of the open offer.

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2016.

OTHER INFORMATION

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the changes of information on Directors are as follows:

- (i) Mr. Lau Fai Lawrence, the independent non-executive Director, resigned as a member of the remuneration committee of the Company with effect from 24 March 2016;
- (ii) Mr. Hu Hongwei, the independent non-executive Director, was appointed as a member of the remuneration committee of the Company with effect from 24 March 2016;
- (iii) The annual remuneration of Mr. Fan Qinghua, Mr. Tang Chao Zhang and Dr. Zhang Weibing, adjusted to HK\$420,000.00, HK\$2,016,000.00 and HK\$3,024,000.00 respectively with effect from 1 July 2016;
- (iv) Dr. Zhang Weibing, stepped down of the chairman of the remuneration committee but remained as a member with effect from 29 July 2016; and
- (v) Mr. Hu Hongwei, the independent non-executive Director, has been appointed as the chairman of the remuneration committee with effect from 29 July 2016.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2016. The Board and the audit committee of the Company have reviewed the effectiveness of the Group's internal control systems and considered that the Group's internal control systems are reasonably implemented and the Group has fully complied with the CG Code regarding internal control systems in general.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") comprises three members namely, Mr. Lau Fai Lawrence (Chairman), Ms. Xiang Siying and Mr. Fan Qinghua. The first two are independent non-executive Directors and Mr. Fan Qinghua is a non-executive Director. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management in respect to the financial reporting matters, including review of the unaudited interim results of the Group for the six months ended 30 June 2016, and is of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") comprises three members namely Mr. Hu Hongwei (Chairman), Ms. Xiang Siying and Mr. Zhang Weibing. The first two are the independent non-executive Directors and Dr. Zhang Weibing is an executive director. The Remuneration Committee is to review and determine the remuneration policy and other remuneration related matters of the Directors and the senior management of the Group.



OTHER INFORMATION

NOMINATION COMMITTEE

The nomination committee of the Company (the “Nomination Committee”) comprises three members namely Mr. Fan Qinghua (Chairman), Ms. Xiang Siying and Mr. Lau Fai Lawrence. Mr. Fan Qinghua is a non-executive Director whereas the other two are independent non-executive Directors. The Nomination Committee made recommendations to the Board on appointment of the Directors, having regard to the candidates’ qualification and competence, so as to ensure that all nominations are fair and transparent.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by Directors and relevant employees of the Group. The Company, having made specific enquiry of all Directors, confirmed that all Directors have complied with the required standard of dealings set out therein throughout the six months ended 30 June 2016.

By Order of the Board

Zhang Weibing
Executive Director

31 August 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
CONTINUING OPERATIONS			
Revenue	2	–	–
Cost of sales		–	–
Gross loss		–	–
Other revenue		23,554	41
Other loss		(52,638)	(1,092)
Gain on restructuring	5	1,542,091	–
General and administrative expenses		(69,311)	(36,079)
Finance costs	6	(83,680)	(11,201)
Loss arising on change in fair value of investment property	12	–	(509)
Profit/(loss) before tax from continuing operations	7	1,360,016	(48,840)
Income tax credit	8	622	128
Profit/(loss) for the period from continuing operations		1,360,638	(48,712)
DISCONTINUED OPERATION			
Loss for the period from discontinued operation	4(b)	–	(113,179)
PROFIT/(LOSS) FOR THE PERIOD		1,360,638	(161,891)
Profit/(loss) for the period attributable to:			
Owners of the Company		1,360,638	(161,891)
Non-controlling interests		–	–
		1,360,638	(161,891)
BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	10		
From continuing and discontinued operations			
Basic per share		HK17.26 cents	(HK2.07 cents)
Diluted per share		HK16.21 cents	(HK2.07 cents)
From continuing operations			
Basic per share		HK17.26 cents	(HK0.62 cents)
Diluted per share		HK16.21 cents	(HK0.62 cents)



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Profit/(loss) for the period	1,360,638	(161,891)
Other comprehensive loss		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(18,816)	(588)
	(18,816)	(588)
Other comprehensive loss for the period, net of tax	(18,816)	(588)
Total comprehensive profit/(loss) for the period	1,341,822	(162,479)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	1,341,822	(162,479)
Non-controlling interests	–	–
	1,341,822	(162,479)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	2,232,075	2,152
Prepaid land/seabed lease payments		288,729	–
Investment property	12	152,914	156,154
Total non-current assets		2,673,718	158,306
CURRENT ASSETS			
Inventories		41,180	–
Prepayments, deposits and other receivables		175,457	146,926
Restricted cash		26,592	26,547
Cash and cash equivalents		264,200	9,869
		507,429	183,342
Assets of a disposal group classified as held for sale	4(b)	–	2,655,804
Total current assets		507,429	2,839,146
CURRENT LIABILITIES			
Interest-bearing bank and other loans	15	–	5,850
Accounts payable	16	6,998	217,731
Other payables and accruals	17	711,415	742,850
Fixed rate guaranteed senior notes	18	–	882,329
Guaranteed senior convertible notes	19	–	441,753
Guaranteed senior payment-in-kind notes	20	–	88,657
Liability portion of convertible preferred shares	21	442,629	435,325
Notes payable	22	–	202,896
Tax payable		973	1,008
Amounts due to the ultimate holding company		3,529	898,854
Amount due to the immediate holding company		–	2,526
Loans from the ultimate holding company		99,231	–
Loans from the immediate holding company	23	21,541	3,000
		1,286,316	3,922,779
Liabilities directly associated with the assets classified as held for sale	4(b)	–	2,855,067
Total current liabilities		1,286,316	6,777,846
NET CURRENT LIABILITIES		(778,887)	(3,938,700)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,894,831	(3,780,394)



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Loans from the ultimate holding company		1,800,837	96,392
Loans from the immediate holding company	23	148,037	140,240
Interest-bearing bank and other loan	15	245,139	–
Other payables and accruals	17	38,654	–
Deferred tax liabilities		88,727	32,032
Total non-current liabilities		2,321,394	268,664
Net liabilities		(426,563)	(4,049,058)
DEFICIENCY IN ASSETS			
Deficiency attributable to owners of the Company			
Share capital	24	306,273	78,206
Deficits	25	(732,836)	(4,127,264)
Deficiency in assets		(426,563)	(4,049,058)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company		Total deficiency in assets HK\$'000
	Share capital (Note 24) HK\$'000	Deficits (Note 25) HK\$'000	
	At 1 January 2016	78,206	
Issue of Shares	288,067	2,052,606	2,280,673
Profit for the period	–	1,360,638	1,360,638
Other comprehensive loss for the period:			
Exchange differences on translation of foreign operations	–	(18,816)	(18,816)
Total comprehensive profit for the period	288,067	3,394,428	3,622,495
At 30 June 2016 (Unaudited)	306,273	(732,836)	(426,563)
At 1 January 2015	78,206	(3,910,840)	(3,832,634)
Loss for the period	–	(161,891)	(161,891)
Other comprehensive loss for the period:			
Exchange differences on translation of foreign operations	–	(588)	(588)
Total comprehensive loss for the period	–	(162,479)	(162,479)
At 30 June 2015 (Unaudited)	78,206	(4,073,319)	(3,995,113)



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash flows (used in)/from		
Operating activities	(296,690)	(47,174)
Investing activities	–	(44)
Financing activities	550,907	55,305
Net increase in cash and cash equivalents	254,217	8,087
Cash and cash equivalents at the beginning of the period	9,989	1,446
Effect of foreign exchange rate changes, net	(6)	(4)
Cash and cash equivalents at the end of the period	264,200	9,529
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances attributable to continuing operations	264,200	9,410
Cash and bank balances attributable to discontinued operation	–	119
Cash and cash equivalents as stated in condensed consolidated statement of cash flows	264,200	9,529
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents per condensed consolidated statement of cash flows	264,200	9,529
Cash and bank balances attributable to discontinued operation	–	(119)
Cash and cash equivalents as stated in consolidated statement of financial position	264,200	9,410

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of Titan Petrochemicals Group Limited and its subsidiaries for the six month ended 30 June 2016 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 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 2015.

1.1 GOING CONCERN BASIS

As of 30 June 2016, the Group had net current liabilities and net liabilities of HK\$778,887,000 and HK\$426,563,000 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.

Major events in which the Group are involved are summarised below:

a) **Material 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 Pricewaterhouse Coopers, 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.

1.1 GOING CONCERN BASIS (CONTINUED)

a) Material Proceedings (Continued)

Bermuda proceedings (Continued)

On 23 June 2016 (Bermuda time), the Bermuda Court ordered that, among other things: (i) the terms of the scheme of arrangement (the "Scheme") between the Company and its Scheme Creditors (as defined in the Scheme) sanctioned by the Bermuda Court on 5 November 2014 be modified in accordance with clause 19(b) of the Scheme; and (ii) immediately upon the Release Date (as defined in the Scheme), the winding-up petition be dismissed and the joint and several provisional liquidators be discharged.

On 22 July 2016 (Bermuda time), the Bermuda Court ordered that, among other things: (i) The joint provisional liquidators were discharged and released from their office; (ii) the winding up petition herein was discharged; and (iii) all injunctions ordered against the Company were discharged based on all conditions in the Order dated 23 June 2016 having been met and fulfilled as at 12:01 a.m. Hong Kong time on 15 July 2016.

b) Debt 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 (details of the agreements are set out in the announcements of the Company dated 25 November 2013, 5 May 2014 and 30 May 2014). As announced by the Company on 30 May 2014, the Company has submitted a resumption proposal on 5 May 2014 and has entered into certain agreements in relation to its business development and debt restructuring.

The resumption proposal submitted to the Stock Exchange lapsed on 18 September 2015. As announced by the Company on 5 November 2015, the Company has submitted another resumption proposal on 16 October 2015 (Bermuda time) (the "Resumption Proposal"). In support of the Resumption Proposal, the Company has also entered into certain agreements and certain supplemental agreements in relation to its business development and debt restructuring.

All the terms under the GZE Excess Liabilities Undertaking, the Working Capital Loan Agreement, the Debt Rescheduling Agreements, the Interim Financing Agreements, the Loan Rescheduling Agreements and the GZE Purchase Order MOU in relation to the debt restructuring have become effective on 24 June 2016. The details in respect of above contracts are included in the Circular on 13 May 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.1 GOING CONCERN BASIS (CONTINUED)

b) Debt restructuring (Continued)

In the opinion of the directors of the Company, after taking into account of the discharge of the winding up petition of the Company, the completion of the Restructuring of the Company, its present available financial resources and financial supports granted to the Company by the ultimate holding company and immediate holding company to provide adequate funds for the Group and the Company to meet its liabilities as they fall due within this period, the Group will have sufficient working capital for its current requirements. Accordingly, the directors of the Company consider that it is appropriate to prepare these condensed consolidated financial statements on a going concern basis.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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 2015.

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 2016.

HKFRS 14	<i>Regulatory deferral accounts</i>
HKFRS 10 (Amendment), HKFRS 12 (Amendment) and HKAS 28 (Amendment)	<i>Investment entities: applying the consolidation exception</i>
HKFRS 11 (Amendment)	<i>Accounting for acquisitions of interests in joint operations</i>
HKFRSs (Amendments)	<i>Annual Improvements to HKFRSs 2012–2014 Cycle</i>
HKAS 1 (Amendments)	<i>Disclosure initiative</i>
HKAS 16 (Amendment) and HKAS 38 (Amendment)	<i>Clarification of acceptable methods of depreciation and amortisation</i>
HKAS 16 (Amendment) and HKAS 41 (Amendment)	<i>Agriculture: Bearer plants</i>
HKAS 27 (Amendments)	<i>Equity method in separate financial statements</i>

HKFRS 11 (Amendment) Accounting for Acquisitions of Interests in Joint Operations

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

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

The Directors do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's condensed consolidated financial statements.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Annual Improvements to HKFRSs 2012–2014 Cycle

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

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

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

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

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

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

HKAS 1 (Amendments) Disclosure Initiative

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

HKAS 16 (Amendment) and HKAS 38 (Amendment) Clarification of Acceptable Methods of Depreciation and Amortisation

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

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

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

HKAS 16 (Amendment) and HKAS 41 (Amendment) Agriculture: Bearer Plants

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

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

HKAS 27 (Amendments) Equity Method in Separate Financial Statements

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

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

The accounting option must be applied by category of investments.

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

HKAS 27 (Amendments) Equity Method in Separate Financial Statements (Continued)

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

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

1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 10 (Amendment) and HKAS 28 (Amendment)	<i>Sale or contribution of assets between an investor and its associate or joint venture¹</i>
HKFRS 9	<i>Financial instruments²</i>
HKFRS 15	<i>Revenue from contracts with customers²</i>
HKFRS 16	<i>Leases³</i>

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after 1 January 2019.

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

HKFRS 10 (Amendment) and HKAS 28 (Amendment) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

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

Amendments to HKFRS 10:

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

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described below:

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

1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 9 Financial Instruments (Continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

HKFRS 15 Revenue from Contracts with Customers

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 15 Revenue from Contracts with Customers (Continued)

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

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

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

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

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

HKFRS 16 Leases (Continued)

The Directors will assess the impact of the application of HKFRS 16. However, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detailed review.

2. REVENUE

The Group did not generate any revenue during the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$Nil).

3. 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); (b) supply of oil products and provision of bunker refueling services; and (c) shipbuilding operation. Since 2010, the Group classified its shipbuilding operation as being discontinued for the reason as detailed in note 4(a). In 2016, the Group reclassified its shipbuilding operation as being “continuing operations” for the reason detailed in note 4(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 profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group’s profit/(loss) before tax from continuing operations except that interest income, other gains, finance costs, as well as head office and corporate expenses are excluded from such measurement.

The accounting policies of the operating segments are the same as the Group’s accounting policies described in the Company’s Annual Report for the year ended 31 December 2015.

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 six months ended 30 June 2016 (six months ended 30 June 2015: HK\$Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The following tables present the unaudited segment information for the six months ended 30 June 2016 and 2015.

Six months ended 30 June 2016

	Provision of logistic services		Supply of oil products and provision of bunker refuelling services	Shipbuilding	Continuing operations	Unallocated	Consolidated
	Offshore storage	Transportation	services		Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue							
– Revenue from external customers	–	–	–	–	–	–	–
Segment results							
Adjusted for:							
– Interest income	–	–	–	–	–	46	46
– Other revenue	–	–	–	–	–	23,508	23,508
– Other expenses	–	–	–	–	–	(90,913)	(90,913)
Add: Depreciation and amortisation	–	–	(27)	(31,009)	(31,036)	(67,359)	(98,395)
	–	–	–	25,811	25,811	449	26,260
Operating loss before interest, tax, depreciation and amortisation (“LBITDA”)	–	–	(27)	(5,198)	(5,225)	(66,910)	(72,135)
Gain on restructuring	–	–	–	–	–	1,542,091	1,542,091
LBITDA	–	–	(27)	(5,198)	(5,225)	1,475,181	1,469,956
Depreciation and amortisation	–	–	–	(25,811)	(25,811)	(449)	(26,260)
Finance costs	–	–	–	(71,483)	(71,483)	(12,197)	(83,680)
Profit before tax	–	–	(27)	(102,492)	(102,519)	1,462,535	1,360,016



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2015

	Provision of logistic services		Supply of oil products and provision of bunker refuelling 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					
Segment revenue							
– Revenue from external customers	–	–	–	–	–	–	–
Segment results	–	–	(43)	(43)	(39,827)	–	(39,870)
Adjusted for:							
– Interest income	–	–	–	–	–	11	11
– Other revenue	–	–	–	–	–	30	30
– Other expenses	–	–	–	–	–	(37,128)	(37,128)
	–	–	(43)	(43)	(39,827)	(37,087)	(76,957)
Add: Depreciation and amortisation	–	–	–	–	28,720	493	29,213
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)
Loss before tax	–	–	(43)	(43)	(113,794)	(48,797)	(162,634)

4. 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\$2,194,509,000) or a maximum reduced consideration of RMB1,465,670,000 (equivalent to approximately HK\$1,724,006,000) 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\$1,959,258,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. DISCONTINUED OPERATION (CONTINUED)

a) Shipbuilding – Titan Quanzhou Shipyard Co., Ltd. (“Titan Quanzhou Shipyard”) (Continued)

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\$870,431,000) 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, 上海市第一中級人民法院 (Shanghai No.1 Intermediate People’s Court) (the “Shanghai Intermediate Court”) ordered the discontinuation of the proceedings.

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, 28 May 2015, 30 July 2015 and 16 October 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 would only be effective upon the satisfaction of certain conditions.

As disclosed in the Company’s announcements dated 28 May 2015, 7 August 2015, 5 November 2015 and 5 May 2016, on 28 May 2015, 30 July 2015, 16 October 2015 and 29 April 2016, the Company, Titan Fujian and Titan TQSL entered into supplemental agreements, pursuant to which the parties agreed to extend the long stop date of the Shipyard Termination Agreement to 31 July 2015, 31 August 2015, 30 April 2016 and 31 August 2016 respectively.

The Shipyard Termination Agreement became effective on 30 June 2016. After completion of the Restructuring, the Group will use Titan Quanzhou Shipyard as base for re-building its business. It will re-activate the shipbuilding and ship repair business it carried on before the Suspension and at the same time, expand into the business of offshore and marine engineering services, which primarily involves the construction, repair, conversion and upgrading of oil rigs used in connection with offshore oil and gas drilling operations as well as FPSO, FSO, FSRU and FLNG, which are support vessels used in those operations. Therefore the business was reclassified as “continuing operation” from “discontinued operation” after completion of the Restructuring during the period.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. DISCONTINUED OPERATION (CONTINUED)

a) **Shipbuilding – Titan Quanzhou Shipyard Co., Ltd. (“Titan Quanzhou Shipyard”)
(Continued)**

As at 30 June 2016, since the shipbuilding business was reclassified as “continuing operations”, the assets and liabilities related to the shipbuilding and building of ship repair facilities, have been consolidated and presented in the consolidated statement of financial position. The results related to the shipbuilding and building of ship repair facilities for the six months ended 30 June 2016 are consolidated and presented in the consolidated statement of profit or loss.

As at 31 December 2015, 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 result for the six months ended 30 June 2015 is included in the consolidated statement of profit or loss as “Loss for the period from discontinued operation”.

b) **Financial information on Titan Quanzhou Shipyard**

The results of Titan Quanzhou Shipyard for the six months ended 30 June 2016 are consolidated and presented in the consolidated statement of profit or loss since the shipbuilding business was reclassified as “continuing operations” as of 30 June 2016. The results of Titan Quanzhou Shipyard for the six months ended 30 June 2015 is presented below.

	Notes	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Other revenue		–	–
General and administrative expenses		–	(39,827)
Finance costs	6	–	(73,967)
Loss before tax		–	(113,794)
Income tax credit		–	615
Loss for the period from discontinued operation		–	(113,179)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. DISCONTINUED OPERATION (CONTINUED)

b) Financial information on Titan Quanzhou Shipyard (Continued)

The assets and liabilities related to Titan Quanzhou Shipyard, have been consolidated and presented in the consolidated statement of financial position since the shipbuilding business was reclassified as “continuing operations” as of 30 June 2016. The major classes of assets and liabilities of Titan Quanzhou Shipyard classified as held for sale as at 31 December 2015 are as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Assets		
Property, plant and equipment	–	2,299,402
Prepaid land/seabed lease payments	–	293,982
Inventories	–	42,053
Prepayments, deposits and other receivables	–	20,247
Cash and cash equivalents	–	120
Assets of a disposal group classified as held for sale	–	2,655,804
Liabilities		
Interest-bearing bank and other loans	–	250,333
Accounts payable (Note i)	–	88,806
Other payables and accruals (Note ii)	–	424,447
Amounts due to the ultimate holding company	–	193,532
Loans from the ultimate holding company	–	1,839,975
Deferred tax liabilities	–	57,974
Liabilities directly associated with the assets classified as held for sale	–	2,855,067
Net liabilities directly associated with the disposal group	–	(199,263)

Notes:

- i) As of 31 December 2015, included in the trade payables of Titan Quanzhou Shipyard amounted to approximately HK\$34,728,000 were claimed from various suppliers in respect of legal actions brought to the courts of the PRC against Titan Quanzhou Shipyard.
- ii) As of 31 December 2015, included in the other payables and accruals of Titan Quanzhou Shipyard amounted to approximately HK\$35,698,000 were claimed from various parties in respect of legal actions brought to the courts of the PRC against Titan Quanzhou Shipyard.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. DISCONTINUED OPERATION (CONTINUED)

b) Financial information on Titan Quanzhou Shipyard (Continued)

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

	Six months ended 30 June	
	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net cash (outflow)/inflow from:		
Operating activities	–	(1,033)
Investing activities	–	–
Financing activities	–	1,017
Net cash outflow	–	(16)

c) Loss before tax

The Group's loss before tax is arrived at after charging the amounts in discontinued operation as set out below.

	Six months ended 30 June	
	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation	–	26,262
Amortisation of prepaid land/seabed lease payments	–	2,458
Foreign exchange differences, net	–	167

5. GAIN ON RESTRUCTURING

All of the conditions precedent in each of the respective agreements constituting under the Restructuring (the "Restructuring Documents") have been satisfied on 24 June 2016, the completion of the Restructuring resulted in a gain on restructuring of HK\$1,542,091,000 during the six months ended 30 June 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCE COSTS

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interests on:		
Bank and other loans		
– not wholly repayable within five years	10,093	13,916
Loans from the immediate holding company		
– wholly repayable within five years	1,679	742
Loans from the ultimate holding company		
– wholly repayable within five years	295	16
– not wholly repayable within five years	64,309	63,190
Dividends on convertible preferred shares of the Company (the "Titan preferred shares")	7,304	7,304
Total interest expenses	83,680	85,168
Attributable to continuing operations	83,680	11,201
Attributable to discontinued operation (Note 4(b))	–	73,967
	83,680	85,168

7. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Depreciation	23,802	26,755
Amortisation of prepaid land/seabed lease payments	2,458	2,458
Foreign exchange differences, net	52,638	1,259
Bank interest income	(46)	(11)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAX CREDIT

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

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

	2016	2015
Hong Kong	16.5%	16.5%
Singapore	17.0%	17.0%
The People's Republic of China (“Mainland China” or the “PRC”)	25.0%	25.0%

Hong Kong

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong for the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$Nil).

Singapore

No provision for taxation has been made as the subsidiaries in Singapore did not generate any assessable profit for the six months ended 30 June 2016 (six months ended 30 June 2015: 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.

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Overprovision in prior periods – Hong Kong	7	–
Deferred taxation	615	128
Total tax credit for the period, continuing operations	622	128

9. DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

From continuing and discontinued operations

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

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Earnings/(loss)		
Earnings/(loss) for the purpose of basic earnings/(loss) per Share		
Profit/(loss) for the period attributable to owners of the Company	1,360,638	(161,891)
Effect of dilutive potential ordinary shares:		
Dividends on Titan preferred shares (Note)	7,304	–
Earnings/(loss) for the purpose of diluted earnings/(loss) per Share	1,367,942	(161,891)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per Share	7,882,868,160	7,820,554,682
Effect of dilutive potential ordinary shares:		
Titan preferred shares (Note)	555,000,000	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per Share	8,437,868,160	7,820,554,682



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

From continuing operations

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

Earnings/(loss) figures are calculated as follows:

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss) for the period attributable to owners of the Company	1,360,638	(161,891)
Less: Loss for the period from discontinued operation	–	113,179
Earnings/(loss) for the purpose of basic earnings/(loss) per Share from continuing operations	1,360,638	(48,712)
Effect of dilutive potential ordinary shares: Dividends on Titan preferred shares (Note)	7,304	–
Earnings/(loss) for the purpose of diluted earnings/(loss) per Share from continuing operations	1,367,942	(48,712)

Note:

As the Company failed to redeem the Titan preferred shares, the convertible right was deemed to continue for the purpose of calculating diluted earnings/(loss) per Share.

From discontinued operation

There is no discontinued operation as at 30 June 2016, therefore the basic and diluted earnings per Share for the discontinued operation for the six months ended 30 June 2016 are HK\$Nil.

Basic loss per Share for the discontinued operation is HK1.45 cents per Share for the six months ended 30 June 2015 and diluted loss per Share for the discontinued operation is HK1.45 cents per Share for the six months ended 30 June 2015, based on the loss for the six months ended 30 June 2015 from the discontinued operation of HK\$113,179,000 and the denominators detailed above for both basic and diluted earnings/(loss) per Share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2016, the Group did not acquire property, plant and equipment (period ended 30 June 2015: HK\$44,000).

During the period ended 30 June 2016, the Group did not dispose property, plant and equipment (period ended 30 June 2015: HK\$Nil).

12. 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. That investment property is held on a long-term basis and is situated in Mainland China.

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.

As at 30 June 2016 and 31 December 2015, the fair value of the investment property located in Mainland China with medium term lease categorised as level 2 fair value measurement was determined by making reference to the comparable market transactions/asking prices as available in the relevant markets where appropriate. The fair value less costs to sell being the recoverable amount was within the level 2 of the fair value hierarchy. There is no fair value change of investment property during the six months ended 30 June 2016. During the six months ended 30 June 2015, the loss arising on change in fair value of investment property of HK\$509,000 and deferred tax credit of HK\$128,000 has been recognised in the consolidated statement of profit or loss for the six months ended 30 June 2015 in respect of the investment property.

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

13. GOODWILL

	(Unaudited) HK\$'000
30 June 2016	
At 1 January 2016 and 30 June 2016, net of accumulated impairments	–
At 30 June 2016 and 31 December 2015:	
Cost	16,568
Accumulated impairments	(16,568)
Net carrying amount	–



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

There is no aged analysis of accounts receivable as at 30 June 2016 and 31 December 2015, as the accounts receivable were fully impaired.

15. INTEREST-BEARING BANK AND OTHER LOANS

As at 30 June 2016, the Group had maturities over one year of a secured and an unsecured loan of RMB136,515,000 (equivalent to approximately HK\$160,577,000) and RMB71,891,000 (equivalent to approximately HK\$84,562,000), respectively. As at 31 December 2015, the Group was in default on repayment of an unsecured bank borrowing with overdue portion in principal amount of HK\$5,850,000.

16. ACCOUNTS PAYABLE

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

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Over 12 months	6,998	217,731
	6,998	217,731

17. OTHER PAYABLES AND ACCRUALS

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Amounts due to deconsolidated subsidiaries	484,112	388,139
Amounts due to a deconsolidated jointly-controlled entity	161,196	164,606
Financial guarantee contracts	–	113,155
Receipt in advance	–	23,400
Provision and accrual of expenses	23,904	4,677
Interest payable of other loans	38,654	–
Others	42,203	48,873
	750,069	742,850

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Included in the other payables and accruals as at 30 June 2016 was a provision related to a claim from a former director against the Company amounted to approximately HK\$1,167,000 (31 December 2015: HK\$1,167,000).

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

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

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

On the maturity date, 19 March 2012, the Company was unable to repay overdue principal and interest on the Senior Note Due 2012 in the amount of US\$105,870,000 (equivalent to approximately HK\$825,786,000) and US\$4,499,000 (equivalent to approximately HK\$35,092,000) respectively.

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, guaranteed senior convertible notes (the "Convertible Notes Due 2015") and guaranteed senior payment-in-kind notes (the "PIK Notes Due 2015") are collectively defined as "Existing Notes".

Pursuant to a Bermudan scheme of arrangement (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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. 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 Existing Notes 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 all creditors of the Company bound by Creditors' Scheme (the "Creditors' Scheme") 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 Existing Notes 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.

At the hearings on 6 March 2015 (Bermuda time), 29 July 2015 (Bermuda time), 14 August 2015 (Bermuda time), 9 October 2015 (Bermuda time), 20 November 2015 (Bermuda time), 8 January 2016 (Bermuda time), 11 March 2016 (Bermuda time) and 1 April 2016 (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, 30 September 2015, 20 November 2015, 8 January 2016, 11 March 2016, 1 April 2016 and then 15 July 2016, respectively. Further details in respect of above are included in the Company's announcements on 9 March 2015, 30 July 2015, 17 August 2015, 8 December 2015, 18 January 2016, 16 March 2016 and 6 April 2016.

All the terms under the GZE Excess Liabilities Undertaking, the Working Capital Loan Agreement, the Debt Rescheduling Agreements, the Interim Financing Agreements, the Loan Rescheduling Agreements and the GZE Purchase Order MOU in relation to the debt restructuring have become effective on 24 June 2016. The Senior Notes Due 2012 was fully settled at the same date. The Company has recognised a gain on restructuring of HK\$1,542,091,000 (six months ended 30 June 2015: HK\$Nil) for the six months ended 30 June 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The effective interest rate on the Senior Notes Due 2012 during the six months ended 30 June 2016 was 0.00% per annum. The outstanding principal in respect of the Senior Notes Due 2012 as at 30 June 2016 was US\$Nil (31 December 2015: US\$105,870,000 (equivalent to approximately HK\$825,786,000)), while the fair value of the Senior Notes Due 2012 as at 30 June 2016 and 31 December 2015 was US\$Nil and US\$5,722,000 (equivalent to approximately HK\$44,634,000), respectively.

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

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

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

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 28.

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.

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

19. 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.

At the hearings on 6 March 2015 (Bermuda time), 29 July 2015 (Bermuda time), 14 August 2015 (Bermuda time), 9 October 2015 (Bermuda time), 20 November 2015 (Bermuda time), 8 January 2016 (Bermuda time), 11 March 2016 (Bermuda time) and 1 April 2016 (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, 30 September 2015, 20 November 2015, 8 January 2016, 11 March 2016, 1 April 2016 and then 15 July 2016, respectively. Further details in respect of above are included in the Company's announcements on 9 March 2015, 30 July 2015, 17 August 2015, 8 December 2015, 18 January 2016, 16 March 2016 and 6 April 2016.

All the terms under the GZE Excess Liabilities Undertaking, the Working Capital Loan Agreement, the Debt Rescheduling Agreements, the Interim Financing Agreements, the Loan Rescheduling Agreements and the GZE Purchase Order MOU in relation to the debt restructuring have become effective on 24 June 2016. The Convertible Notes Due 2015 was fully settled at the same date. The Company has recognised a gain on restructuring of HK\$1,542,091,000 (six months ended 30 June 2015: HK\$Nil) for the six months ended 30 June 2016.

During the six months ended 30 June 2016 and year ended 31 December 2015, none of the Convertible Notes Due 2015 were converted into ordinary shares.

The Convertible Notes Due 2015 comprise a financial liability at amortised cost and an embedded derivative. The effective interest rate on the Convertible Notes Due 2015 during the six months ended 30 June 2016 was 0.00% (2015: 0.00%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. GUARANTEED SENIOR CONVERTIBLE NOTES (THE "CONVERTIBLE NOTES DUE 2015") (CONTINUED)

The outstanding principal in respect of the Convertible Notes Due 2015 as at 30 June 2016 was US\$Nil (31 December 2015: US\$47,960,000 (equivalent to approximately HK\$374,088,000)).

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

The Company issued US\$14,193,000 (equivalent to approximately HK\$110,705,000) aggregate principal amount of the PIK Notes Due 2015 on 28 July 2010 (27 July 2010, New York City Time) in exchange for tendered the Senior Notes Due 2012. The PIK Notes Due 2015 were due on 13 July 2015 with a single repayment of the principal, unless earlier repurchase pursuant to the terms of the PIK Notes Due 2015 indenture. The PIK Notes Due 2015 bear interest at the rate of 8.50% per annum payable semi-annually in arrears commencing on 13 January 2011 either by cash or in the form of additional PIK Notes Due 2015, and are listed on the Singapore Exchange Securities Trading Limited.

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

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 28.

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.

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.

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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.

At the hearings on 6 March 2015 (Bermuda time), 29 July 2015 (Bermuda time), 14 August 2015 (Bermuda time), 9 October 2015 (Bermuda time), 20 November 2015 (Bermuda time), 8 January 2016 (Bermuda time), 11 March 2016 (Bermuda time) and 1 April 2016 (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, 30 September 2015, 20 November 2015, 8 January 2016, 11 March 2016, 1 April 2016 and then 15 July 2016, respectively. Further details in respect of above are included in the Company's announcements on 9 March 2015, 30 July 2015, 17 August 2015, 8 December 2015, 18 January 2016, 16 March 2016 and 6 April 2016.

All the terms under the GZE Excess Liabilities Undertaking, the Working Capital Loan Agreement, the Debt Rescheduling Agreements, the Interim Financing Agreements, the Loan Rescheduling Agreements and the GZE Purchase Order MOU in relation to the debt restructuring have become effective on 24 June 2016. The PIK Notes Due 2015 was fully settled at the same date. The Company has recognised a gain on restructuring of HK\$1,542,091,000 (six months ended 30 June 2015: HK\$Nil) for the six months ended 30 June 2016.

The PIK Notes Due 2015 are carried at amortised cost with an effective interest rate of 0.00% (2015: 0.00%) per annum during the six months ended 30 June 2016. At 30 June 2016, the outstanding principal of the PIK Notes Due 2015 was US\$Nil (31 December 2015: US\$10,912,751 (equivalent to approximately HK\$85,119,458)).

21. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. CONVERTIBLE PREFERRED SHARES (CONTINUED)

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 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 wholly owned 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, 30 July 2015 and 16 October 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. The Listco Preferred Shares Modification Deed will be conditional upon the fulfillment of certain conditions.

As disclosed in the Company's announcements dated 28 May 2015, 7 August 2015, 5 November 2015 and 5 May 2016, on 28 May 2015, 30 July 2015, 16 October 2015 and 29 April 2016, the Company and DBIL entered into supplemental agreements, 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, 31 August 2015, 30 April 2016 and 31 August 2016 respectively.

The Listco Preferred Shares Modification Deed became effective on 24 June 2016.

22. 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 are required to be repaid in full in cash equal to the greater of (i) 110% of the principal amount plus all accrued but unpaid interest; and (ii) the fair market value of 5.5% of the issued share capital of Titan TQSL on a fully diluted basis (the "Applicable Redemption Amount"). The Group 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. As at 31 December 2015, the fair value of the embedded derivatives asset was HK\$Nil.

On 31 March 2013, the Company did not redeem the K-Line Notes Due 2013 in full at cash at the Applicable Redemption Amount.

22. NOTES PAYABLE (THE “K-LINE NOTES DUE 2013”) (CONTINUED)

On 17 April 2014, K-Line, Titan Shipyard Holdings Limited 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.

All the terms under the GZE Excess Liabilities Undertaking, the Working Capital Loan Agreement, the Debt Rescheduling Agreements, the Interim Financing Agreements, the Loan Rescheduling Agreements and the GZE Purchase Order MOU in relation to the debt restructuring have become effective on 24 June 2016. The K-Line Notes Due 2013 was fully settled at the same date. The Company has recognised a gain on restructuring of HK\$1,542,091,000 (six months ended 30 June 2015: HK\$Nil) for the six months ended 30 June 2016.

23. 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 (from the date of utilization of the loan to the completion date of the transactions contemplated under the Resumption Proposal) and an interest rate of 4% per annum (from the completion date of transactions contemplated under the Resumption Proposal to the date on which the loan is repaid) (the “First Loan Agreement”). Details of the above was set out in the Company’s announcement dated 15 March 2013 and Circular of the Company dated 13 May 2016.

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 2016 and 31 December 2015.

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 (from the date of utilisation of the loan to the completion date of the transactions contemplated under the Resumption Proposal) and an interest rate of 4% per annum (from the completion date of transactions contemplated under the Resumption Proposal to the date on which the loan is repaid) (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 and Circular of the Company dated 13 May 2016. As at 30 June 2016, the loans from the immediate holding company from the Second Loan Agreement of HK\$18,541,000 and HK\$43,699,000 (31 December 2015: HK\$Nil and HK\$62,240,000) were repayable within one year and beyond one year, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. 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\$15,000,000 at an interest rate of 2% per annum (from the date of utilisation of the loan to the completion date of the transactions contemplated under the Resumption Proposal) and an interest rate of 4% per annum (from the completion date of transactions contemplated under the Resumption Proposal to the date on which the loan is repaid) by Fame Dragon to the Company (the "2015 Loan Agreement"). Details of the 2015 Loan Agreement were set out in the Circular of the Company dated 13 May 2016. As at 30 June 2016, the loans from the immediate holding company from the 2015 Loan Agreement of HK\$104,338,000 (31 December 2015: HK\$78,000,000) were repayable beyond one year.

24. SHARE CAPITAL

Shares

	2016		2015	
	Number of shares	Nominal value of shares HK\$'000	Number of shares	Nominal value of shares HK\$'000
Authorised:				
<i>Ordinary shares of HK\$0.01 each</i>				
As at 1 January 2016/2015	80,000,000,000	800,000	14,445,000,000	144,450
Addition (Note a)	–	–	65,555,000,000	655,550
As at 30 June 2016/31 December 2015	80,000,000,000	800,000	80,000,000,000	800,000
<i>Convertible preferred shares of HK\$0.01 each</i>				
As at 1 January 2016/2015 and 30 June 2016/31 December 2015	555,000,000	5,550	555,000,000	5,550
Issued and fully paid:				
<i>Ordinary shares of HK\$0.01 each</i>				
As at 1 January 2016/2015	7,820,554,682	78,206	7,820,554,682	78,206
Open offer	2,606,851,560	26,068	–	–
Placing	2,600,000,000	26,000	–	–
Consideration issue	14,000,000	140	–	–
Shipyard Termination Shares	9,382,164,000	93,822	–	–
Assumption Consideration Shares	3,595,420,415	35,954	–	–
New Shares under the Creditors' Scheme	1,920,886,282	19,209	–	–
New Shares under Debt Rescheduling Agreement; the Interim Financing Agreement and the Working Capital Loan Agreement	2,687,410,831	26,874	–	–
As at 30 June 2016/31 December 2015	30,627,287,770	306,273	7,820,554,682	78,206
<i>Convertible preferred shares of HK\$0.01 each</i>				
As at 1 January 2016/2015 and 30 June 2016/31 December 2015	555,000,000	5,550	555,000,000	5,550

Notes:

- By an ordinary resolution passed at the special general meeting held on 22 June 2015, the Company's authorised ordinary share capital was increased to HK\$800,000,000 by the creation of an additional 65,555,000,000 ordinary shares of HK\$0.01 each, ranking pari passu with the existing Shares in all respects.
- During the six months ended 30 June 2016 and the year ended 31 December 2015, 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

25. DEFICITS

	Share premium HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	PRC statutory reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2016	2,473,241	18,261	1,697	175	108,105	180,220	(6,908,963)	(4,127,264)
Total comprehensive profit for the period	-	-	-	-	-	(18,816)	1,360,638	1,341,822
Transfer to accumulated loss upon lapse of share options after vesting period	-	-	(425)	-	-	-	425	-
Issue of Shares	2,052,606	-	-	-	-	-	-	2,052,606
At 30 June 2016 (Unaudited)	4,525,847	18,261	1,272	175	108,105	161,404	(5,547,900)	(732,836)
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 loss 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)

Share premium

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

Contributed surplus

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

Share option reserve

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

PRC statutory reserve

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

Asset revaluation reserve

The asset revaluation reserve of the Group, after deduction of deferred tax liabilities, arose as a result of the restatement to fair value of certain prepaid land/seabed lease payments upon reclassification to investment property.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25. DEFICITS (CONTINUED)

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.

26. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases an office premise and a warehouse under operating lease arrangements. At 30 June 2016, leases for office premise and warehouse are negotiated for terms ranging from one to three years (31 December 2015: one to three years).

At 30 June 2016 and 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Office premise and warehouse		
Within one year	4,301	4,277
In the second to fifth years, inclusive	6,368	8,230
	10,669	12,507

27. COMMITMENTS

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Commitments for shipbuilding and ship repair facilities in Mainland China*	850,243	817,928

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

28. GUARANTEES

As at 30 June 2016, guarantees with aggregated amounts of HK\$Nil (31 December 2015: 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 deconsolidated subsidiary of the Group which was put into liquidation in 2014 and (iii) the K-Line Notes Due 2013.

As at 30 June 2016, an amount of HK\$Nil (31 December 2015: HK\$321,996,000) has been recognised in the Company's statement of financial position.

As at 30 June 2016, guarantees in the aggregate amount of HK\$Nil (31 December 2015: 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 2016 and 31 December 2015.

29. CONTINGENT LIABILITIES

a) Material arbitrations

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

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

The claims relate to disputes between the Company/TSL and Mayfair in relation to the alleged breaches by TSL of a bareboat charter party contract executed in 2010 (the "Charterparty"), including but not limited to the Company/TSL's failure to pay hire and contractual interest on hire; and the alleged failure to insure the Mayfair vessel. The total amount of Mayfair's claim is US\$23,021,040.61 and SG\$5,296.30. TSL and the Company have also counterclaimed against Mayfair for US\$20,755,188.89.

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

- a) on the amounts of the claims by Camden, Edinburgh and Mayfair (collectively, the "Creditor Debt") to be recognised as unsecured claims (the "Agreed Claim Amounts") in the Restructuring by way of the Creditors' Scheme as announced by the Company on 25 November 2013;
- b) that subject to and upon receipt by the Creditors of the full cash payment under the Creditors' Scheme of US\$0.10 for every US\$1.00 of the Agreed Claim Amounts (the "Settlement Payment"), the parties will be released from all liabilities arising out of or in connection with the Creditor Debt, the Creditor Debt Documents and the subject matter thereof and any previous arrangement between the Company, TSL and the Creditors in relation to the Arbitration Proceedings;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

29. CONTINGENT LIABILITIES (CONTINUED)

a) Material arbitrations (Continued)

Arbitrations between KTL Mayfair Inc. ("Mayfair") and the Company and Arbitrations between Mayfair 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, it will take any actions that are reasonably required to facilitate the Restructuring, including taking all reasonable steps necessary to vote in favour of the Creditors' Scheme;
- ii) until expiry of the Support Period or such other period as agreed between the parties, it will not oppose any application by the Company for any adjournment of the petition for the winding up of the Company pending before the Bermuda Court; and
- iii) subject to the terms of the Settlement Agreement, it will not, during the Support Period, commence any legal or Arbitration Proceedings or insolvency proceedings against the Company or any of its subsidiaries in relation to the Creditor Debt Documents.

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

- 1) 31 December 2014 (or such later date as may be agreed between the parties);
- 2) the date on which a final non appealable order of a governmental body of competent jurisdiction first comes into effect prohibiting the implementation and consummation of the Restructuring;
- 3) the date on which an order is made in any jurisdiction for the winding up of the Company;
- 4) the Company's failure, within 5 business days of receipt of a notice from any of the Creditors notifying the Company its intention to treat the Settlement Agreement as having terminated, to withdraw a condition, term or modification of the Restructuring proposed by the Company to the Bermuda Court or the Company's unsecured creditors, the addition of which condition or term to the Restructuring or which modification of the Restructuring would affect certain rights of the Company's unsecured creditors under the Creditors' Scheme as set out in the Settlement Agreement; and
- 5) the date on which the scheme document is deposited with the Bermuda Registrar of Companies following sanction of the Creditors' Scheme by the Bermuda Court and approval by qualifying majorities of creditors.

29. CONTINGENT LIABILITIES (CONTINUED)

a) Material arbitrations (Continued)

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

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

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

At the hearing held on 11 March 2016 (Bermuda time), the Bermuda Court ordered to extend the long stop date of the Creditors' Scheme of the Company to 1 April 2016 (Bermuda time). At the hearing held on 1 April 2016 (Bermuda time), the Bermuda Court ordered to extend the long stop date of the Creditors' Scheme of the Company to 15 July 2016 (Bermuda time).

All the terms under the GZE Excess Liabilities Undertaking, the Working Capital Loan Agreement, the Debt Rescheduling Agreements, the Interim Financing Agreements, the Loan Rescheduling Agreements and the GZE Purchase Order MOU in relation to the debt restructuring have become effective on 24 June 2016.

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

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

The parties involved in the aforesaid arbitrations are (i) the Company, TSL and Edinburgh and (ii) the Company, TSL and Camden. The claims relate to disputes arising out of the charterparty agreements (the "Charterparty Agreements") executed in 2010 entered into between TSL and Edinburgh/Camden in relation to the vessels MT Titan Aries/MT Titan Venus (the "Vessels"). In 2012, Frontline Management SA ("Frontline") as agents of the Vessels demanded the Vessels to be re-delivered sooner. TSL agreed to such redelivery relying on Frontline's representation that Frontline would arrange a suitable time charter arrangement such that TSL's oil storage business would not be affected (the "New Arrangement"). However, Frontline, later refused to carry on with the New Arrangement. The Company is now claiming that the conduct of Edinburgh/Camden has resulted in TSL not being able to perform its oil storage business and suffered loss as a result. The total amount of claim against each of Edinburgh and Camden is US\$20,755,188.89. Edinburgh and Camden have also counterclaimed against the Company and TSL for US\$7,449,911.02 and US\$6,425,312.50 respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

29. CONTINGENT LIABILITIES (CONTINUED)

a) Material arbitrations (Continued)

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

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 have agreed:

- a) on the Agreed Claim Amounts in the Restructuring by way of the Creditors' Scheme as announced by the Company on 25 November 2013;
- b) that subject to and upon receipt by the Creditors of the full cash payment under the Creditors' Scheme of US\$0.10 for every US\$1.00 of the Settlement Payment, the parties will be released from all liabilities arising out of or in connection with the Creditor Debt, the Creditor Debt Documents and the subject matter thereof and any previous arrangement between the Company, TSL and the Creditors in relation to the Arbitration Proceedings;
- c) that promptly and in any event within three business days of the date of the Settlement Agreement, the parties will take all steps reasonably required to effect a stay of the Arbitration Proceedings; and
- d) that promptly and in any event within three business days of the date of the Settlement Payment has been made, the parties will take all steps to inform the arbitral tribunal that the Arbitration Proceedings have been settled and/or terminated.

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

- i) during the Support Period, it will take any actions that are reasonably required to facilitate the Restructuring, including taking all reasonable steps necessary to vote in favour of the Creditors' Scheme;
- ii) until expiry of the Support Period or such other period as agreed between the parties, it will not oppose any application by the Company for any adjournment of the petition for the winding up of the Company pending before the Bermuda Court; and
- iii) subject to the terms of the Settlement Agreement, it will not, during the Support Period, commence any legal or Arbitration Proceedings or insolvency proceedings against the Company or any of its subsidiaries in relation to the Creditor Debt Documents.

29. CONTINGENT LIABILITIES (CONTINUED)

a) Material arbitrations (Continued)

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

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

- 1) 31 December 2014 (or such later date as may be agreed between the parties);
- 2) the date on which a final non appealable order of a governmental body of competent jurisdiction first comes into effect prohibiting the implementation and consummation of the Restructuring;
- 3) the date on which an order is made in any jurisdiction for the winding up of the Company;
- 4) the Company's failure, within 5 business days of receipt of a notice from any of the Creditors notifying the Company its intention to treat the Settlement Agreement as having terminated, to withdraw a condition, term or modification of the Restructuring proposed by the Company to the Bermuda Court or the Company's unsecured creditors, the addition of which condition or term to the Restructuring or which modification of the Restructuring would affect certain rights of the Company's unsecured creditors under the Creditors' Scheme as set out in the Settlement Agreement; and
- 5) the date on which the scheme document is deposited with the Bermuda Registrar of Companies following sanction of the Creditors' Scheme by the Bermuda Court and approval by qualifying majorities of creditors.

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

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

At the hearing held on 11 March 2016 (Bermuda time), the Bermuda Court ordered to extend the long stop date of the Creditors' Scheme of the Company to 1 April 2016 (Bermuda time). At the hearing held on 1 April 2016 (Bermuda time), the Bermuda Court ordered to extend the long stop date of the Creditors' Scheme of the Company to 15 July 2016 (Bermuda time).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

29. CONTINGENT LIABILITIES (CONTINUED)

a) Material arbitrations (Continued)

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

All the terms under the GZE Excess Liabilities Undertaking, the Working Capital Loan Agreement, the Debt Rescheduling Agreements, the Interim Financing Agreements, the Loan Rescheduling Agreements and the GZE Purchase Order MOU in relation to the debt restructuring have become effective on 24 June 2016.

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 for an order, among other things, to wind up and to appoint a provisional liquidator against the Company. Further details in respect of the above are included in the Company's announcement dated 12 July 2012. The SPHL Petition, which remained undismissed or unstayed for a period of 60 consecutive days (i.e. on or before 6 September 2012 (Bermuda time)), caused an event of default to occur under the Convertible Notes Due 2015 and the PIK Notes Due 2015.

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

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

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

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

29. CONTINGENT LIABILITIES (CONTINUED)

b) Bermuda Proceedings (Continued)

On 19 July 2013 (Bermuda time), the Company made an application to the Bermuda Court seeking to (a) stay the SPHL Petition pending arbitration between the Company and Camden or (b) strike out the SPHL Petition on the basis that it was an abuse of process (the "Titan Stay Application").

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

- i) the SPHL Petition was struck out, and the Company was awarded the costs of the petition against SPHL from the date upon which its skeleton argument for the Striking Out Application was filed;
- ii) SPHL was granted leave to appeal the 10 May Decision;
- iii) the Titan Stay Application was dismissed;
- iv) Camden was allowed to be substituted as the petitioner in place of SPHL and granted leave to amend the Camden Petition, Camden was also awarded its costs against the Company of the Camden Substitution Application; and
- v) the hearing of the Camden Petition was adjourned to 16 August 2013.

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

29. CONTINGENT LIABILITIES (CONTINUED)

b) Bermuda Proceedings (Continued)

The Camden Petition, the application for the Interim Injunction, the PLs Application and the Leave to Appeal Application were all heard by the Bermuda Court on 16 August 2013 (Bermuda time) and no order was made for the appointment of provisional liquidators or to wind up the Company at that hearing. The following orders were made by the Bermuda Court:

- i) until the first hearing in the matter following the hearing of 16 August 2013, an injunction was granted restraining the Company, whether alone or in concert with others, acting through its directors, officers, employees, servants, agents or otherwise, from (i) disposing of any property, including things in action, belonging to the Company, save the payment of salaries, rent, utilities, professional fees or other similar payments in the ordinary course of its business; or (ii) consenting to or approving the disposal of property, including things in action, belonging to any subsidiary (as defined in section 86 of the 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 that the Company and Camden to agree on setting up an informal committee of creditors (the "Informal Committee") to facilitate information exchange between the Company and its creditors, failing which the Bermuda Court would make an order in this regard. No agreement was reached between the Company and Camden and hence, the Bermuda Court made an order on 10 September 2013 for the set up of the Informal Committee.

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

The Company made an application for a stay, and filed a motion for leave to appeal, in respect of the order of the Bermuda Court appointing 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 Camden Petition and the Discharge Application were heard by the Bermuda Court on 13 December 2013 (Bermuda time) and the following orders were made by the Bermuda Court:

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

29. CONTINGENT LIABILITIES (CONTINUED)

b) Bermuda Proceedings (Continued)

- ii) costs of the hearing be awarded to the JPLs to be paid out of the assets of the Company on an indemnity basis; and
- iii) the costs of hearing of Camden as the petitioner be reserved.

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

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

- i) the JPLs would have the following powers (among others):
 - 1) to consult with the Company in respect of, and review, on an ongoing basis, all issues relating to feasibility of the restructuring proposal of the Company or any variation thereof, including with respect to the necessary steps which need to be taken, and conditions to be met, in order for such restructuring proposal to be successfully implemented;
 - 2) to consider the terms of any scheme of arrangement proposed by the Company under the provisions of section 99 of the Act and, if so advised, to report to the Bermuda Court thereon at or before the hearing of the application to convene a scheme meeting. In this regard the Company shall at least seven days prior to any application being made to the Bermuda Court to convene a scheme meeting provide to the JPLs a final draft of the Company's application to convene a scheme meeting;
 - 3) to review the financial position of the Company and in particular to assess the feasibility of any restructuring proposal of the Company;
 - 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;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

29. CONTINGENT LIABILITIES (CONTINUED)

b) Bermuda Proceedings (Continued)

- ii) save as specifically set out in the order, the JPLs will have no general or additional powers or duties with respect to the property or records of the Company, and the Board will continue to manage the Company's affairs in all respects and exercise the powers conferred upon it by the Company's Memorandum of Association and Bye-laws, provided always that, should the JPLs consider at any time that the Board is not acting in the best interests of the Company and its creditors, the JPLs shall have the power to report the same to the Bermuda Court and seek such directions from the Bermuda Court as the JPLs are advised are appropriate;
- iii) the JPLs shall be entitled to receive advance materials, receive advance notice of, and, at the expense of the Company, attend all Board meetings and such meetings of management as the JPLs request;
- iv) the Company shall at all times comply with the Funding Terms referred to the letter, dated 13 February 2014, from the JPLs to the Company; and
- v) the Company shall procure that any necessary instructions are given to the liquidator of TGIL (the "Liquidator") to ensure that any dividends payable by the Liquidator after the date of the order be paid into an account to be nominated by the JPLs to be held in such account for the benefit of creditors until otherwise directed by the Bermuda Court.

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

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

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

- i) the Company be permitted to enter into the Loan Agreement with Fame Dragon;
- ii) the Camden 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.

29. CONTINGENT LIABILITIES (CONTINUED)

b) Bermuda Proceedings (Continued)

At the hearing held on 17 April 2014 (Bermuda time), the Bermuda Court ordered a further adjournment of the Camden Petition to 16 May 2014 (Bermuda time). Further details are included in the Company's announcement dated 22 April 2014.

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

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

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

At the hearings held on 8 August 2014 (Bermuda time), 3 October 2014 (Bermuda time), 31 October 2014 (Bermuda time), 21 November 2014 (Bermuda time), 16 January 2015 (Bermuda time), 13 March 2015 (Bermuda time), 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), 28 August 2015 (Bermuda time), 4 September 2015 (Bermuda time), 8 September 2015 (Bermuda time), 9 October 2015 (Bermuda time), 20 November 2015 (Bermuda time), 8 January 2016 (Bermuda time), 11 March 2016 (Bermuda time), 1 April 2016 (Bermuda time), 29 April 2016 (Bermuda time), 3 June 2016 (Bermuda time), 17 June 2016 (Bermuda time), the Bermuda Court ordered a further adjournment of the Camden 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), 14 August 2015 (Bermuda time), 28 August 2015 (Bermuda time), 4 September 2015 (Bermuda time), 8 September 2015 (Bermuda time), 9 October 2015 (Bermuda time), 20 November 2015 (Bermuda time), 8 January 2016 (Bermuda time), 11 March 2016 (Bermuda time), 1 April 2016 (Bermuda time), 29 April 2016 (Bermuda time), 3 June 2016 (Bermuda time), 17 June 2016 (Bermuda time), 22 July 2016 (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, 2 June 2015, 30 July 2015, 17 August 2015, 31 August 2015, 7 September 2015, 9 September 2015, 12 October 2015, 25 November 2015, 18 January 2016, 16 March 2016, 6 April 2016, 5 May 2016, 6 June 2016, 21 June 2016 respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

29. CONTINGENT LIABILITIES (CONTINUED)

b) Bermuda Proceedings (Continued)

At the hearing held on 23 June 2016 (Bermuda time), the Bermuda Court ordered that, among other things: (i) the terms of the scheme of arrangement (the "Scheme") between the Company and its Scheme Creditors (as defined in the Scheme) sanctioned by the Bermuda Court on 5 November 2014 be modified in accordance with clause 19(b) of the Scheme; and (ii) immediately upon the Release Date (as defined in the Scheme), the winding-up petition be dismissed and the joint and several provisional liquidators be discharged.

At the hearing held on 22 July 2016 (Bermuda time), the Bermuda Court ordered that, among other things: (i) The joint provisional liquidators were discharged and released from their office; (ii) the winding up petition herein was discharged; and (iii) all injunctions ordered against the Company were discharged based on all conditions in the Order dated 23 June 2016 having been met and fulfilled as at 12:01a.m. Hong Kong time on 15 July 2016.

c) 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 issued by Titan Group Investment Limited ("TGIL") (the "TGIL preferred shares") and TGIL convertible unsecured notes (the "TGIL Notes Due 2014"), and SSL applied for an order to appoint joint and several provisional liquidators for, and to liquidate TGIL.

On 17 July 2012 (BVI time), the Eastern Caribbean Supreme Court (the "BVI Court") ordered (the "Order") the liquidation of TGIL 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 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 Appeal has been withdrawn as part of the settlement of all litigation relating to the Group pursuant to the settlement deed.

A numbers of distributions to creditors of TGIL is still in progress until the liquidators of TGIL released from all obligation under the Order.

29. CONTINGENT LIABILITIES (CONTINUED)

d) Hong Kong Proceedings

On 19 July 2012, the Company received from SSL a writ of summons (the "Writ") issued in the Court of First Instance in the High Court of 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"). Further details in respect of the above are included in the Company's announcement dated 20 July 2012.

On 14 September 2012, the Company received a statement of claim filed by SSL in connection with the Writ. Further details in respect of the above are included in the Company's announcement dated 19 September 2012.

On 10 November 2012, the Hong Kong High Court, among other things, stayed the proceedings for a period of 90 days which was then subsequently extended until 15 March 2013.

On 15 November 2013, SSL was ordered by the Hong Kong High Court to provide security in various sums for the Defendants' costs of the proceedings. SSL was ordered by the Hong Kong High Court to provide security for the defendants' costs of proceedings. SSL failed to provide such security and the proceedings remained stayed.

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

The Hong Kong High Court fixed a second case management conference for hearing on 21 November 2014 and further adjourned the hearing to 13 March 2015, 7 July 2015 and 17 November 2015. On 6 January 2016, the Hong Kong High Court ordered (by consent) that (i) the second case management conference due to be heard on 23 February 2016 be vacated and adjourned to 12 April 2016; and (ii) attempting the finalisation of the global settlement among the parties. On 8 April 2016, settlement has been reached in respect of Saturn Storage Limited's ("Saturn Storage") claims against the Company and Titan Oil Storage Investment Limited ("TOSIL") in the Hong Kong Proceedings, pursuant to which Saturn Storage's afore-said claims were dismissed by the Hong Kong Court of First Instance, with Saturn Storage, the Company and TOSIL each bearing its own costs save for HK\$70,000 to be paid by Saturn Storage to the Company and TOSIL pursuant to an order for security for costs made on 15 November 2013. On 7 June 2016, the aforesaid sum of HK\$70,000 has been paid by Saturn Storage to the Company and TOSIL.

Further details in respect of the above are included in the Company's announcement dated 25 November 2014, 30 March 2015, 24 June 2015, 4 December 2015, 11 January 2016 and 8 June 2016 respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

29. CONTINGENT LIABILITIES (CONTINUED)

e) Other Proceedings

Details of other proceedings are disclosed in the note 4 and note 14 to the condensed consolidated financial statements.

Other than the contingent liabilities as disclosed above, the Group and the Company had no other material contingent liabilities as at 30 June 2016 and 31 December 2015.

30. 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 2016 and 2015:

a) Guarantees to GZE

At 30 June 2016, 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\$1,795,842,000) (31 December 2015: RMB1,526,742,000 (equivalent to approximately HK\$1,833,896,000)) granted to Titan Quanzhou Shipyard.

b) Loans from the ultimate holding company

At 30 June 2016, 崑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\$42,777,000) (31 December 2015: RMB36,367,000 (equivalent to approximately HK\$43,684,000)) and interest accrued of RMBNil (equivalent to approximately HK\$Nil) (31 December 2015: RMB3,765,000 (equivalent to approximately HK\$4,522,000)). The loan was unsecured, carried at basic lending rate of the People's Bank of China under same period and same grade. As at 30 June 2016, the loans of RMB3,637,000 and RMB32,730,000 (equivalent to approximately HK\$4,278,000 and HK\$38,499,000) (31 December 2015: RMBNil and RMB36,367,000 (equivalent to approximately HK\$Nil and HK\$43,684,000)) were repayable within one year and beyond one year, respectively.

At 30 June 2016, 廣州泰山石化有限公司 (Guangzhou Titan Petrochemical Co., Ltd) ("Guangzhou Titan") had a loan from GZE in the principal amount of RMB43,880,000 (equivalent to approximately HK\$51,615,000) (31 December 2015: RMB43,880,000 (equivalent to approximately HK\$52,708,000)) and interest accrued of RMBNil (equivalent to approximately HK\$Nil) (31 December 2015: RMB4,543,000 (equivalent to approximately HK\$5,457,000)). The loan was guaranteed by 泉州振戎石化碼頭有限公司 (formerly known as 泉州泰山石化碼頭發展有限公司), 廣州南沙振戎倉儲有限公司 (formerly known as 南方石化倉儲(廣州南沙)有限公司 and 廣州南沙泰山石化發展有限公司) and Titan Quanzhou Shipyard, carried at basic lending rate of the People's Bank of China under same period and same grade. As at 30 June 2016, the loans of RMB4,388,000 and RMB39,492,000 (equivalent to approximately HK\$5,161,000 and HK\$46,454,000) (31 December 2015: RMBNil and RMB43,880,000 (equivalent to approximately HK\$Nil and HK\$52,708,000)) were repayable within one year and beyond one year, respectively.

30. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

b) Loans from the ultimate holding company (Continued)

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 2016, the loan due to GZE was RMB1,526,742,000 (equivalent to approximately HK\$1,795,842,000) (31 December 2015: RMB1,526,742,000 (equivalent to approximately HK\$1,833,896,000) and interest accrued of RMBNil (equivalent to approximately HK\$Nil) (31 December 2015: RMB158,056,000 (equivalent to approximately HK\$189,854,000)). The loan was secured, carried at basic lending rate of the People’s Bank of China under same period and same grade. As at 30 June 2016, the loans of RMB76,337,000 and RMB1,450,405,000 (equivalent to approximately HK\$89,792,000 and HK\$1,706,050,000) (31 December 2015: RMBNil and RMB1,526,742,000 (equivalent to approximately HK\$Nil and HK\$1,833,896,000)) were repayable within one year and beyond one year, respectively.

Further details in respects of above are included in the Company’s announcements date 29 October 2013, 14 January 2014, 6 March 2014, 1 April 2014 and Circular of the Company dated 13 May 2016.

At 30 June 2016, Titan Quanzhou Shipyard had another loan from GZE in the principal amount of RMB8,361,000 (equivalent to approximately HK\$9,834,000) (31 December 2015: RMB5,061,000 (equivalent to approximately HK\$6,079,000)) and interest accrued of RMBNil (equivalent to approximately HK\$Nil) (31 December 2015: RMB61,000 (equivalent to approximately HK\$74,000)). 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 2016, the Group had loans from Fame Dragon in the principal amount of HK\$169,578,000 (31 December 2015: HK\$143,240,000), and interest accrued of HK\$Nil (31 December 2015: HK\$2,526,000).

The loans were unsecured, carried interests at 2% per annum (from the date of utilization of the loan to the completion date of the transactions contemplated under the Resumption Proposal) and an interest rate of 4% per annum (from the completion date of transactions contemplated under the Resumption Proposal to the date on which the loan is repaid). As at 30 June 2016, the loan of HK\$18,541,000 and HK\$151,037,000 (31 December 2015: HK\$Nil and HK\$143,240,000) were repayable within one year and beyond one year, respectively 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 23, 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 2016 and 31 December 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

c) Loans from the immediate holding company (Continued)

Further details in respect of above are included in the Company's announcements dated 6 March 2014, 11 March 2014, 1 April 2014 and Circular of the Company dated 13 May 2016.

d) Amount due to the ultimate holding company

At 30 June 2016, the Group had an amount due to GZE of RMBNil (equivalent to approximately HK\$Nil) (31 December 2015: RMB740,000,000 (equivalent to approximately HK\$888,875,000)) 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 2016, 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\$1,028,000) (31 December 2015: RMB874,000 (equivalent to approximately HK\$1,050,000)), 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 2016, 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 RMB13,779,000 (equivalent to approximately HK\$16,208,000) (31 December 2015: RMB14,319,000 (equivalent to approximately HK\$17,200,000)) which were unsecured, interest-free and had no fixed terms of repayment.

31. FAIR VALUE AND FAIR VALUE HIERARCHY

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

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

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

31. FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

Fair value hierarchy

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

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets and liabilities measured at fair value:

The Group did not have any financial assets nor liabilities measured at fair value as at 30 June 2016 and 31 December 2015

32. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period presentation. In the opinion of the Directors, such reclassifications provide a more appropriate presentation on the condensed consolidated financial statements.

33. EVENTS AFTER THE REPORTING PERIOD

Listing status and resumption of trading

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

33. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Listing status and resumption of trading (Continued)

Since the completion of the subscription agreement signed with Paliburg Company Limited (the "Paliburg Subscription Agreement") and Victory Stand Limited (the "Victory Stand Subscription Agreement") did not take place by 4 September 2015, the open offer proposed to be 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 issuance of 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 "First Open Offer") would not proceed and the agreements entered into pursuant to the Restructuring would not become unconditional and had therefore been lapsed and the whitewash waiver granted by the Securities and Futures Commission of Hong Kong and approved at the special general meeting of the Company held on 22 June 2015 was invalidated accordingly.

As a result of the lapse of the First Open Offer and the agreements entered into pursuant to the Restructuring, and that the second stage of delisting had expired and the resumption proposal submitted to the Stock Exchange lapsed, on 18 September 2015, the Listing Division of the Stock Exchange issued a letter to the Company informing the Company that they have decided to place the Company in the third stage of delisting under Practice Note 17 to the Listing Rules. The third stage of delisting will expire on 1 April 2016 and at the end of the third stage of delisting, if the Company does not provide a resumption proposal in accordance with the requirement of the Stock Exchange, the Stock Exchange will proceed with cancellation of the Company's listing.

According to the letter, the Company is required to submit a viable resumption proposal to the Stock Exchange at least 10 business days before the third stage of delisting expires to addressing to the following:

- i) the Company must demonstrate sufficient operations or assets under Rule 13.24;
- ii) the Company must publish all outstanding financial results and address any audit qualifications (if any); and
- iii) the Company must have the winding up petition against the Company withdrawn or dismissed and the provisional liquidators discharged.

The Company has submitted the Resumption Proposal on 16 October 2015 (Bermuda time). In response to the comments from the Stock Exchange in respect of the Resumption Proposal, the Company has submitted to the Stock Exchange updated versions of the Resumption Proposal on 17 November 2015, 31 December 2015 and 25 January 2016. In support of the Resumption Proposal, the Company has also entered into certain agreements and certain supplemental agreements in relation to its business development and debt restructuring.

On 14 March 2016, the Company received a letter from the Stock Exchange to allow the Company to proceed with the Resumption Proposal subject to satisfying of certain conditions by 15 July 2016, including among others:

- i) completion of all transactions contemplated under the Resumption Proposal; and
- ii) the Company must have the winding up petition withdrawn or dismissed and the JPLs discharged.

33. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Listing status and resumption of trading (Continued)

All of the conditions precedent in each of the respective agreements constituting under the Restructuring (the "Restructuring Documents") have been satisfied on 24 June 2016 and the Open Offer became unconditional on the same day. In addition, the Listco Preferred Shares Modification Deed has completed on 24 June 2016, all the terms under the GZE Excess Liabilities Undertaking, the Working Capital Loan Agreement, the Debt Rescheduling Agreements, the Interim Financing Agreements, the Loan Rescheduling Agreements and the GZE Purchase Order MOU have become effective on 24 June 2016, and the Subscription Agreement, the Assumption Agreement, the Underwriting Agreement, and the Shipyard Termination Agreement have completed on 30 June 2016. The FTSD Purchase Order Framework Agreement and the Management Services Agreement (including the issue of FELS Warrants) will be effective upon Resumption.

The winding up petition was withdrawn and the joint and several provisional liquidators were discharged as at 12:01 a.m. on 15 July 2016 (Hong Kong time).

All the Resumption Conditions were fulfilled as at 12:01 a.m. on 15 July 2016 (Hong Kong time) and this trading in the Shares on the Stock Exchange resumed with effect from 9:00 a.m. on Friday, 15 July 2016.