Titan Petrochemicals Group Limited

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

Annual Report
2016

CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors ("**Board**") of Titan Petrochemicals Group Limited (the "**Company**"), I hereby present the Annual Report of the Company for the year ended 31 December 2016.

The Company had suspended its listing status since June 2012. After undergoing the debt restructuring, liquidation crisis and the lapse of subscription agreements under the debt restructuring, the Company eventually succeeded to resume its listing status on the Main Board of the Stock Exchange of Hong Kong Limited in July 2016 with vigorous support from all sectors of the Company and strenuous efforts of its staff and professional advisers. This symbolizes the Company's embarking on a new journey and stepping into a new chapter.

In 2016, the global economy remained in downward cycle, and the sectors of ship building and marine engineering did not achieve expected growth. Affected by these factors, the Company and its subsidiaries (the "**Group**") also encountered the challenges resulting from the cancellation of part of its marine engineering orders. The management of the Company has taken positive steps to cope with this situation and to focus on the development of the ship repair and conversion business by establishing a joint venture company in Shanghai, an international shipping centre and through acquisitions and alliances with some leading large scale ship building and repair bases along the coastal region in China. Meanwhile, the Company has actively initiated debt restructuring with certain creditors, aiming to reduce the Company's debt burden and to gradually improve its operating conditions of the ship building and marine engineering business.

Approaching 2017, the situation of overcapacity in shipbuilding and marine engineering industry is unlikely to rebound in a short time. Therefore, the operating results of the Company would be under certain pressure. Nevertheless, with the continuous advancement of the "One Belt, One Road" strategy between China and the regional countries, the development of "Made in China 2025" and "The Thirteenth Five-Year Plan", and the gradual implementation of the new compulsory ship building standards and regulations imposed by the International Maritime Organisation, the Company will embrace the good opportunity in developing the ship repair and conversion business. The Company will continue with the industrial distribution of 2016, and to strive itself to be one of the world leading ship repair and conversion enterprises. The adjustments of the ship building and marine engineering industry for the time being also bring an opportunity for the Company in mergers and acquisitions and business integration with leading enterprises in the industry. The Company will proactively identify high potential targets for mergers and acquisitions and continue to expand its business layout to overseas, including the ASEAN and Asia Pacific countries, such as Singapore, in order to build a solid foundation for the sustainability and improvement in profitability of its principal business.

Looking forward, the Company will leverage its inherent competitive strengths and capture new potential business opportunities in the challenging environment and, with the expertise and strategic leadership of the management team, seek a new profit growth point for its business, so as to maximize the return to all the shareholders.

A line from a Chinese poem reads, "A time will come to ride the wind and cleave the waves, I will set my cloudlike sail to cross the sea which raves". We are confident that the Company will achieve excellent results in the years to come.

On behalf of the Board, I would like to extend my sincere gratitude to all members of staff, our shareholders, creditors and relevant organisations for the continuous support and understanding.

Zhang Weibing
Chairman

Hong Kong, 31 March 2017

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Zhang Weibing *(Chairman)*
Tang Chao Zhang *(Chief Executive)*
Hu Hongwei
Liu Liming

Independent Non-executive Directors

Lau Fai Lawrence
Xiang Siying
Han Jun

AUDIT COMMITTEE

Lau Fai Lawrence *(Chairman)*
Xiang Siying
Han Jun

REMUNERATION COMMITTEE

Xiang Siying *(Chairman)*
Zhang Weibing
Han Jun

NOMINATION COMMITTEE

Zhang Weibing *(Chairman)*
Xiang Siying
Han Jun

COMPANY SECRETARY

Wong Yu Kit

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

4902 Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Citic Bank International (China) Limited
Bank of China Limited

AUDITORS

Elite Partners CPA Limited

SOLICITORS

DLA Piper Hong Kong
Reed Smith Richards Butler
Vivien Chan & Co
Guangdong Kings Law Firm

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY WEBSITE

www.petrotitan.com

STOCK CODE

1192

Dr. Zhang Weibing, aged 50, *Chairman and Executive Director* — Appointed to the board of directors of the Company ("**Board**") as an Executive Director in 2015. Dr. Zhang holds a bachelor degree in economics, a master degree in finance from Peking University and a doctoral degree in finance from Sichuan University. Dr. Zhang has over 26 years of working experience in financial securities industry and was the responsible person of Securities Business of China Agriculture Development Trust and Investment Corporation (中國農村發展信託投資公司). He was also the general manager of China Life Insurance Trust East China (Group) Company (中國人保信託華東(集團)公司) and the deputy general manager of Qing Hai Securities Company Limited (青海證券有限責任公司) and the general manager of Shanghai Jinhui Information System Company Limited (上海金匯信息系統有限公司). Dr. Zhang was also a director of Shanghai Lingyun Industries Development Co. Ltd. (上海凌雲實業發展股份有限公司) which was approved to issue 境內上市外資股(B股) and listed on the Shanghai Stock Exchange, an executive director of West Australia Resources Pty. Co., and the chairman of the board of directors of Haton Polymer & Fibre Corp. Dr. Zhang has extensive experience in corporate governance, initial public offering, mergers and acquisitions, equity bond financing and investment.

Mr. Tang Chao Zhang, aged 42, *Chief Executive and Executive Director* — Appointed to the Board as an Executive Director in 2013. Mr. Tang holds a bachelor degree in sales and marketing from Guangdong University of Foreign Studies. Mr. Tang was the vice-president of 廣東振戎能源有限公司 (Guangdong Zhenrong Energy Co., Ltd.*) and 廣東振戎石油化工有限公司 (Guangdong Zhenrong Petrochemical Co., Ltd*). Mr. Tang is currently a director of 雲南振戎潤德珠寶有限公司 (Yunnan Zhenrong Runde Jewellery Ltd).

Mr. Hu Hongwei, aged 37, *Executive Director* — Appointed to the Board as an Independent Non-executive Director in 2015, he was re-designated as a Non-Executive Director in 2016 and was re-designated as an Executive Director in 2017. Mr. Hu is an attorney-at-law admitted to practice in China. Mr. Hu holds a bachelor degree in International and Economical Law and Master of Laws degree (LLM) from Fudan University. Mr. Hu is currently a partner of the Shanghai office of Dentons, a leading multinational law firm. Prior to joining Dentons, he had long term of career with Clifford Chance, a leading international law firm headquartered in London, United Kingdom and HHP Attorneys-At-Law, a leading Chinese commercial law firm. Mr. Hu has extensive experience in cross-border investment, restructuring, mergers and acquisitions, regulatory compliance, intellectual property protection, dispute resolution and providing legal advice to foreign and domestic clients regarding their investment in China.

Dr. Liu Liming, aged 67, *Executive Director* — Appointed to the Board as an Executive Director in 2016. Dr. Liu holds a bachelor degree in marine engineering and manufacturing from Tianjin University, a master degree in business administration from Capital University of Economics and Business and a doctoral degree in structural engineering in Tianjin University. Dr. Liu has over 50 years experience in offshore oil exploration and development, including the design, manufacturing and installing of offshore oil drilling rigs, and the design, design review, supervision and management of offshore oilfield development project. Dr. Liu is an independent director of BOMESC Offshore Engineering Company Limited since December 2012. Dr. Liu worked as general manager of China Offshore Oil Development & Engineering Corporation (中海石油工程設計公司), the deputy general manager of CNOOC Research Center, the deputy general manager of Offshore Oil Engineering Co., Ltd. and CNOOC Oil Base Group Company, the deputy executive general manager and general manager of CNOOC Gas & Power Limited, the deputy chief engineer of CNOOC, chief executive of the management committee of Fujian Province CNOOC Haixiningde Industrial Development Limited (福建省

中海油海西寧德工業區開發有限公司). Dr. Liu is currently a member of the expert group of "863" Project in China's Ministry of Science and Technology and the evaluation expert of the State Science and Technology Award.

Mr. Lau Fai Lawrence, aged 45, *Independent Non-Executive Director* — Appointed to the Board as an Independent Non-executive Director in 2014. Mr. Lau is currently a practising certified public accountant in Hong Kong and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Lau is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lau holds a bachelor degree in business administration from the University of Hong Kong in 1994 and obtained a master degree in corporate finance from The Hong Kong Polytechnic University in 2007. Mr. Lau is the company secretary of BBMG Corporation, a company listed on the main board of The Stock Exchange of Hong Kong (the "**Stock Exchange**"). Mr. Lau is an executive director of Future World Financial Holdings Limited (formerly name as Central Wealth Financial Group Limited), a non-executive director of Alltronics Holdings Limited, an independent non-executive director of Artini China Co. Ltd. and China HKBridge Holdings Limited (formerly name as Topsearch International (Holdings) Limited), all the above companies are listed on the main board of the Stock Exchange.

Ms. Xiang Siying, aged 54, *Independent Non-Executive Director* — Appointed to the Board as an Independent Non-executive Director in 2015. Ms. Xiang holds a bachelor degree in Agriculture from Beijing Agriculture University (now known as China Agriculture University), a master degree in economics from 財政部財政科研研究所 and a master degree in business administration from the London Business School. Ms. Xiang is an independent non-executive director of China Ocean Industry Group Limited, a company listed on the Stock Exchange. Ms. Xiang is a consultant of CDH Investments ("**CDH**"), a leading private equity firm in China. Prior to joining CDH, she had worked for China International Capital Corporation (Hong Kong) Limited since her return to China in early 2004. Before that Ms. Xiang had long term of career with the International Finance Corporation, the private investment arm of the World Bank Group, in Washington, United States of America. Ms. Xiang has extensive experience in all sectors of corporate finance, restructuring and mergers and acquisitions practices.

Dr. Han Jun, aged 38, *Independent Non-Executive Director* — Appointed to the Board as an Independent Non-executive Director in 2016. Dr. Han holds a bachelor degree in economics and a master degree in international economics from Peking University, and a PhD degree in accounting from Nanyang Technological University. She is currently an affiliate of the Association of Chartered Certified Accountants in the United Kingdom. Dr. Han joined the School of Business of the University of Hong Kong as an Assistant Professor (in Accounting) since July 2005, and became a tenured Associate Professor since July 2011. Dr. Han has been the program director of the bachelor degree in business administration in The University of Hong Kong since July 2013. Dr. Han's primary research interest lies in auditing and financial accounting issues such as earnings management, expectations management, and investors' reactions to financial information disclosures. Dr. Han has published research papers in top tier accounting journals such as *Accounting, Organizations and Society, The Accounting Review, Auditing: A Journal of Practice & Theory*, and *Journal of Accounting Research*. Dr. Han has a track record of successful research grant applications from Hong Kong Research Grants Council. Dr. Han has more than ten years teaching experience in undergraduate and graduate level courses and has published several teaching cases in both financial accounting and managerial accounting.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with the principles and code provisions set out from time to time in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**" and "**Listing Rules**", respectively) under Appendix 14 (the Corporate Governance Code and Corporate Governance Report ("**CG Code**")). Throughout the financial year 2016, the Group has complied with all the code provisions set out in the CG Code save for the deviation from code provisions specified below:

Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Ms. Xiang Siying, Mr. Hu Hongwei and Ms. Hsu Wai Man, Helen, the then independent non-executive directors of the Company, were unable to attend the special general meeting of the Company held on 30 May 2016 as they have other engagements.

The Board continues to monitor and review the Group's corporate governance practices to ensure compliance.

The key corporate governance principles and practices of the Company are summarized as follows:

THE BOARD OF DIRECTORS

Composition

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

As at 31 December 2016 and up to the date of this report, the Board was comprised of seven directors, including four executive directors and three independent non-executive directors. Biographical details of the directors are set out in the "Directors' Biographies" section of this Annual Report. The Board members have no other financial, business, family or other material/relevant relationships with each other.

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

Executive Directors

Dr. Zhang Weibing *(Chairman)* (appointed as Chairman on 23 September 2016)
Mr. Tang Chao Zhang *(Chief Executive)*
Mr. Hu Hongwei
(re-designated from an independent non-executive director to a non-executive director on 13 December 2016)
(re-designated from a non-executive director to an executive director on 1 March 2017)
Dr. Liu Liming (appointed on 15 July 2016)

Independent non-executive directors

Mr. Lau Fai Lawrence
Ms. Xiang Siying
Dr. Han Jun (appointed on 13 December 2016)

An updated list of directors identifying their roles and functions is available on the websites of the Company (www.petrotitan.com) and the Stock Exchange (www.hkexnews.hk). Members of the Board, including the names of all the independent non-executive directors, are expressly identified in all corporate communications which disclose the names of the directors of the Company.

CHAIRMAN AND THE CHIEF EXECUTIVE

The roles of the Chairman and Chief Executive are segregated and are held by different individuals.

The Chairman is responsible for providing leadership and overseeing the functioning of the Board and to ensure that it acts in the best interests of the Company and its subsidiaries (the "**Group**"). With the support of other directors and company secretary, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. He actively encourages directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that a consensus can be reached by the Board members. He also encourages directors to be fully engaged in Board affairs and make contributions to the Board to fulfill its responsibilities.

The Chief Executive is responsible for the day-to-day management and operations of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations and performance. The Chief Executive maintains an ongoing dialogue with Chairman on major business developments and issues and to adopt and execute Group strategies, policies and objectives. He is also responsible for building and maintaining an effective executive team to support his role.

BOARD DIVERSITY

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

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

The Nomination Committee will review the Board Diversity Policy, as appropriate, and recommend any proposed changes to the Board for approval.

ROLE AND FUNCTION OF THE BOARD AND THE MANAGEMENT

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

BOARD MEETINGS AND BOARD PROCEDURAL MATTERS

During the year under review, four regular Board Meetings were held. The Board has formal procedures to include matters to be referred to the Board for consideration. Notice of not less than 14 days is served for regular Board meetings. Each director may include any item in the agenda. The agenda, accompanied by meeting papers with sufficient and reliable information, are sent to each director not less than 3 days before the date of Board meeting to enable the directors to make informed decision on the matters to be discussed except where a Board meeting is convened on a very urgent basis to consider any urgent ad hoc matters. Between scheduled meetings, management provides information to the directors on the activities of and developments in the businesses of the Group. As and when deemed necessary, additional Board meetings may be convened. In addition, any director may request the company secretary to arrange for independent professional advice to assist the directors to effectively discharge their duties at the Company's expenses.

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

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

Except for those circumstances permitted by the bye-laws of the Company (the "**Bye-laws**") and all applicable laws, rules and regulations, a director shall not vote on any Board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates (or associates where the transaction or arrangement is a connected transaction under Chapter 14A of the Listing Rules) has a material interest nor shall he be counted in the quorum present at the meeting.

ATTENDANCES OF BOARD MEETINGS

During the year ended 31 December 2016, 13 full Board meetings, 2 audit committee meetings, 5 remuneration committee meetings, 2 nomination committee meetings and 2 general meetings were held at which the individual attendance records of the directors were as follows:

	Meetings attended/Eligible to attend				
Name of Directors	**Board Meetings**	**Audit Committee Meetings**	**Remuneration Committee Meetings**	**Nomination Committee Meetings**	**General Meetings**
Executive Directors					
Dr. Zhang Weibing *(Chairman)* (Note 1)	13/13	N/A	5/5	1/1	2/2
Mr. Tang Chao Zhang *(Chief Executive)*	13/13	N/A	N/A	N/A	2/2
Dr. Liu Liming (Note 2)	12/12	N/A	N/A	N/A	1/1
Non-executive Directors					
Mr. Fan Qinghua (Note 3)	6/8	2/2	N/A	1/1	2/2
Mr. Hu Hongwei (Note 4)	13/13	N/A	5/5	N/A	1/2
Independent Non-executive Directors					
Mr. Lau Fai Lawrence	12/13	2/2	N/A	2/2	2/2
Ms. Xiang Siying	13/13	2/2	5/5	1/2	1/2
Dr. Han Jun (Note 5)	1/1	N/A	N/A	N/A	N/A
Ms. Hsu Wai Man Helen (Note 6)	1/1	N/A	N/A	N/A	0/1

Note 1: Dr. Zhang Weibing appointed as Chairman on 23 September 2016

Note 2: Dr. Liu Liming appointed as an executive director on 15 July 2016

Note 3: Mr. Fan Qinghua resigned as a non-executive director and Chairman on 23 September 2016

Note 4: Mr. Hu Hongwei re-designated from an independent non-executive director to a non-executive director on 13 December 2016

Note 5: Dr. Han Jun appointed as an independent non-executive director on 13 December 2016

Note 6: Ms. Hsu Wai Man Helen resigned as an independent non-executive director on 30 May 2016

During the year under review, the Chairman of the Board met with the non-executive directors (including independent non-executive directors) without the other executive directors present.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Every director keeps abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company. The Company provides all members of the Board with regular updates on the Group's performance and financial position. The directors have attended external courses, conferences or luncheons organised by various organisations. Every newly appointed director will be given an introduction of regulatory requirements when appointed by the Board.

The directors have also reviewed regular business and financial updates and other reading materials provided to them concerning latest developments in corporate governance practices and relevant legal and regulatory developments. A record of the directors' participation in various continuous professional development program is kept by the company secretary. A summary of training records received by the directors for the year ended 31 December 2016 is as follows:

Name of Directors	Attending Seminars/ conferences/ forums	Reading newspapers, journals and updates
Executive Directors		
Dr. Zhang Weibing *(Chairman)* (Note 1)	√	√
Mr. Tang Chao Zhang *(Chief Executive)*	√	√
Dr. Liu Liming (Note 2)	√	√
Non-executive Directors		
Mr. Fan Qinghua (Note 3)	√	√
Mr. Hu Hongwei (Note 4)	√	√
Independent Non-executive Directors		
Mr. Lau Fai Lawrence	√	√
Ms. Xiang Siying	√	√
Dr. Han Jun (Note 5)	—	√
Ms. Hsu Wai Man Helen (Note 6)	—	—

Note 1: Dr. Zhang Weibing appointed as Chairman on 23 September 2016

Note 2: Dr. Liu Liming appointed as an executive director on 15 July 2016

Note 3: Mr. Fan Qinghua resigned as a non-executive director and Chairman on 23 September 2016

Note 4: Mr. Hu Hongwei re-designated from an independent non-executive director to a non-executive director on 13 December 2016

Note 5: Dr. Han Jun appointed as an independent non-executive director on 13 December 2016

Note 6: Ms. Hsu Wai Man Helen resigned as an independent non-executive director on 30 May 2016

CORPORATE GOVERNANCE FUNCTION

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

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

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

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

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

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

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

NOMINATION COMMITTEE

As at the date of this report, the Nomination Committee of the Company consists of three directors, namely Dr. Zhang Weibing, Ms. Xiang Siying and Dr. Han Jun. The Nomination Committee is chaired by Dr. Zhang Weibing.

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

The Committee has specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Nomination Committee is available on the websites of the Company (www.petrotitan.com) and the Stock Exchange (www.hkexnews.hk).

The principal duties of the Nomination Committee include, amongst other things:

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

- identifying individuals suitably qualified to become Board members and select or make recommendations to the Board;

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

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

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

- reviewing the training and continuous professional development of directors.

During the year ended 31 December 2016, 2 Nomination Committee meetings were held (i) to review the structure, size and composition of the Board; (ii) to assess the independence of independent non-executive directors; (iii) to review the contribution required from a director to perform his responsibilities; (iv) to review the training and continuous professional development of directors; and (v) to recommend to the Board for approval of the appointment of Chairman and appointment and redesignation of directors. The individual attendance for the Nomination Committee meeting had been disclosed earlier in this report.

AUDIT COMMITTEE

As at the date of this report, the Audit Committee of the Company consists of three independent non-executive directors, namely Mr. Lau Fai Lawrence, Ms. Xiang Siying and Dr. Han Jun. The Audit Committee is chaired by Mr. Lau Fai Lawrence who is a practising certified public accountant.

The Audit Committee of the Board has specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Audit Committee is available on the websites of the Company (www.petrotitan.com) and the Stock Exchange (www.hkexnews.hk).

The principal duties of the Audit Committee include, amongst other things:

- making recommendations to the Board on the appointment and, if necessary, the replacement/resignation or removal of the external auditors and assess their independence, performance and fee levels;

- reviewing the completeness, accuracy and fairness of the Company's interim and annual financial statements and reports;

- ensuring compliance with the applicable accounting standards and legal and regulatory requirements on financial reporting and disclosures;

- reviewing the arrangements for the Company's employees to raise concerns about financial reporting and any other improprieties;

- overseeing the effectiveness of financial reporting systems; and

- ensuring ongoing assessments of the Group's risk management and the internal control systems over financial, operational, compliance and risk management processes.

During the year ended 31 December 2016, 2 Audit Committee meetings were held and the individual attendance had been disclosed earlier in this report. The Audit Committee met with the external auditors and management to discuss and review, among others, (i) the scope of work, timetable and auditors' fee; (ii) the auditors' disclaimer of opinion set out in the financial statements for the year ended 31 December 2016; (iii) interim results for the six months ended 30 June 2016; (iv) the adequacy and quality of accounting and financial reporting staff; (v) risk management and the internal control systems of the Group; and (vi) the internal audit reports prepared by the internal audit department.

REMUNERATION COMMITTEE

As at the date of this report, the Remuneration Committee of the Company consists of three directors, namely Ms. Xiang Siying, Dr. Zhang Weibing, and Dr. Han Jun. The Remuneration Committee is chaired by Ms. Xiang Siying.

The Remuneration Committee of the Board, has specific written terms of reference. The terms of reference of the Remuneration Committee is available on the websites of the Company (www.petrotitan.com) and the Stock Exchange (www.hkexnews.hk).

The principal duties of the Remuneration Committee include, amongst other things:

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

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

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

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

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

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

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

During the year ended 31 December 2016, 5 Remuneration Committee meetings were held and the individual attendance had been disclosed earlier in this report. The Remuneration Committee met with the Human Resources Manager to discuss and review, among others, the Group's overall compensation philosophy, the market statistics, the remuneration policies and structure and human capital issues, as well as the remuneration packages for the executive directors and the directors' fees to non-executive director and independent non-executive directors.

Details of the emoluments of each director of the Company for the year ended 31 December 2016 are set out on pages 80 to 83 of this Annual Report.

COMPANY SECRETARY

Mr. Wong Yu Kit is the company secretary of the Company. All directors have access to the advice and services of the company secretary. The company secretary reports to the Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed and for facilitating communications among directors as well as with the shareholders and management.

Mr. Wong is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. During 2016, Mr. Wong undertook over 15 hours of relevant professional training to update his skills and knowledge.

DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing financial statements which give a true and fair view of the state of affairs of the Group on a going concern basis and in presenting the annual and interim reports and other financial disclosures required under the Listing Rules, the directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are fair and reasonable and prepared the financial statements on a going concern basis.

The statement by the external auditors of the Company, Elite Partners CPA Limited, with respect to their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditors' Report on pages 40 to 43 of this Annual Report.

EXTERNAL AUDITORS

The Audit Committee reviewed and confirmed the external auditors' independence and objectivity, together with the scope of audit services and fees in connection therewith. There is no disagreement between the Board and the audit committee's view on the appointment of external auditors, Elite Partners CPA Limited ("**Elite Partners**") on 20 February 2017 in order to fill the casual vacancy upon the resignation of the resigning auditors, HLB Hodgeson Impey Cheng Limited ("**HLB**"), and they both have agreed to recommend the re-appointment of Elite Partners as the Company's external auditors for the ensuing year at the forthcoming annual general meeting of the Company.

During the year ended 31 December 2016, the audit fees paid/payable for the Elite Partners amounted to approximately HK$850,000. The non-audit fees paid/payable to HLB the resigned auditors, was approximately HK$989,000.

INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT

An internal auditor was employed by the Group on full time basis which assists the Board and the Audit Committee to discharge its duties in internal control and risk management aspects. The internal auditors, which is independent to the operational departments of the Group, is responsible for conducting regular audits on the major activities of the Group.

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

The internal control systems are designed to:

- achieving the Group's business objectives of attaining optimal performance and safeguarding assets against unauthorised use or disposition;
- ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use and for publication;
- ensuring compliance with the relevant legislation and regulations; and
- ensuring the controls of risk management functions effectively within the Group.

The Board has strived to ensure that the management have developed and exercised effective internal control and risk management systems and procedures that are suitable for the diversity of the businesses engaged by the Group.

The Group has engaged an independent adviser to assist the Group to perform the review of the effectiveness of the internal control systems and report to the shareholders in the Corporate Governance Report at least annually. The Board considers the risk management and internal central systems effective and adequate.

The Group has established systems and procedures for disseminating inside information as defined under the SFO so as to ensure inside information is promptly identified and escalated. Directors and management of the Group received relevant trainings to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules as the Company's code of conduct governing the securities transactions by the directors of the Company. Having made specific enquiries by the Company, all directors have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2016.

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

Employees who are likely to possess inside information in relation to the Company or its shares are required to prohibit from dealing in shares of the Company during the black-out period.

SHAREHOLDERS' COMMUNICATIONS

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

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

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

The annual general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All directors will make an effort to attend. External auditor is also available at the annual general meeting to address shareholder's queries.

During the year, all notices of general meetings dispatched by the Company to its shareholders for meeting held were sent for annual general meeting at least 20 clear business days before the meeting and at least 10 clear business days for all other general meetings. Separate resolutions were proposed at general meetings on each substantially separate issue, including the election of individual directors, and all resolutions put to the vote of the general meetings were taken by way of poll. At the general meetings, the chairman of the meetings explained the procedures for conducting a poll and answered questions from shareholders on voting by poll, if any. The results of poll were published on the websites of the Company (www.petrotitan.com) and the Stock Exchange (www.hkexnews.hk) respectively.

SHAREHOLDERS' RIGHTS

Convene a special general meeting

In accordance with the Bye-laws, the members holding at the date of deposit of the requisition not less than one-tenth (10%) of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right by written requisition to the Board or the Company Secretary of the Company, to convene a special general meeting pursuant to Clause 74 of the Companies of 1981 of Bermuda (as amended) to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (as amended).

Put forward proposals at shareholders' meetings

Shareholders representing not less than one-twentieth (5%) of the paid up capital of the Company carrying the right of voting at general meetings of the Company or of not less than 100 shareholders of the Company may be requisition, at their own expense unless the Company otherwise resolves, to put forward proposals at general meetings of the Company pursuant to Clauses 79 and 80 of the Companies Act 1981 of Bermuda (as amended). A written notice to that effect signed by the shareholders concerned must be deposited at the principal office of the Company not less than six weeks before the meeting for requisition requiring notice of resolutions, or not less than one week before the meeting for any other requisition.

Shareholder's enquiries

Specific enquiries or suggestions by shareholders can be sent in writing to the Board or the Company Secretary at the Company's principal office in Hong Kong or by email to the Company. In addition, shareholders can contact Tricor Tengis Limited, the Hong Kong branch share registrars and transfer office of the Company, if they have any enquiries about their shareholdings and entitlement to dividend. Relevant contact details are set out on page 4 of this annual report.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year.

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 2.55% 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.

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.

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:

	Number of share option							
Name or category of participant	At 1 January 2016	Granted during the year	Lapsed during the year	Exercised during the year	At 31 December 2016	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$
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.

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report together with the audited financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in the business of construction and repair of ship, and the construction, repair, conversion and upgrading of oil rigs and FPSO, FSO, FSRU and FLNG, and upstream and downstream oil and gas business. The principal activities of the significant subsidiaries are set out in note 47 to the consolidated financial statements.

The business review of the Group for the year ended 31 December 2016, as well as further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the group and an indication of likely future developments in the group's business, can be found in the Management Discussion and Analysis set out on pages 31 to 39 of the annual report. This discussion forms part of this "Report of the Directors".

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated financial statements on pages 44 to 120.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 121. This summary does not form part of the audited consolidated financial statements.

INVESTMENT PROPERTIES

Details of movement of the investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

Particulars of the major investment properties of the Group as at 31 December 2016 are set out in page 122 of this annual report.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and contribution to operating results for the year ended 31 December 2016 is set out in note 4 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 48 of this annual report.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE PREFERRED SHARES

Details of the movements in the Company's share capital, share options and convertible preferred shares during the year are set out in notes 32, 35 and 38 to the consolidated financial statements, respectively.

SHARES ISSUED

During the year, the Company had issued shares as follows:

(a) Shipyard Termination Agreement

On 30 June 2016, the Company had allotted and issued 9,382,164,000 new ordinary shares to Guangdong Zhenrong Energy Co., Ltd ("**GZE**") at the issue price of HK$0.10 per share in lieu of the repayment of RMB740,000,000 owed by the Company to GZE under the shipyard termination agreement dated 5 May 2014 entered into by the Company, GZE, Titan TQSL Holding Company Limited ("**TQSL**") and 泰山石化（福建）有限公司 (Titan Petrochemicals (Fujian) Ltd*) ("**TPFL**") (as supplemented and amended on 27 February 2015, 28 May 2015, 30 July 2015, 16 October 2015, 29 April 2016) in relation to, among other things, the termination of the shipyard sale and purchase agreement dated 11 December 2010.

(b) Assumption Agreement

On 30 June 2016, the Company had allotted and issued 3,595,420,415 new ordinary shares to Fame Dragon International Investment Limited ("**Fame Dragon**") at the issued price of HK$0.10 per share in consideration of the assumption of liabilities up to a maximum amount of RMB282,056,122.05 by Fame Dragon under the assumption agreement dated 20 August 2014 entered into by the Company, Fame Dragon, 泉州船舶工業有限公司 (Titan Quanzhou Shipyard Co Ltd.*) ("**TQS**").

(c) Creditors Scheme

On 30 June 2016, the Company had allotted and issued 1,920,886,282 new ordinary shares under the scheme of arrangement under section 99 of the Bermuda Companies Act 1981 entered into by the Company and all the creditors bound by the creditors' scheme.

(d) Debt Rescheduling Agreements, Interim Financing Agreements and Working Capital Loan Agreement

On 30 June 2016, the Company had allotted and issued 2,687,410,831 new ordinary shares to the respective parties under the debt rescheduling agreements, interim financing agreements and working capital loan agreement.

(i) ***Debt Rescheduling Agreements***

TPG Debt Rescheduling Agreement ("TPG Debt Rescheduling Agreement)

On 5 May 2014, TQS and 廣州泰山石化有限公司 (Guangzhou Titan Petrochemical Co., Ltd.*) ("**TPG**") entered into the TPG Debt Rescheduling Agreement with GZE (as supplemented and amended on 22 August 2014, 27 February 2015, 28 May 2015, 30 July 2015, 16 October 2015 and 29 April 2016). The total amount of debt obligation under the TPG Debt Rescheduling Agreement was RMB43,880,272, being the aggregate of the principal of RMB42,600,000 and the accrued interest of RMB1,280,272 as of the date of the TPG Debt Rescheduling Agreement.

Haixin Debt Rescheduling Agreement ("Haixin Debt Rescheduling Agreement")

On 5 May 2014, 嵊泗海鑫石油有限公司 (Shengsi Haixin Petroleum Co., Ltd*) and GZE entered into the Haixin Debt Rescheduling Agreement (as supplemented and amended on 22 August 2014, 27 February 2015, 28 May 2015, 30 July 2015, 16 October 2015 and 29 April 2016). The total amount of debt obligation under the Haixin Debt Rescheduling Agreement was RMB36,367,173.72, being the aggregate of the principal of RMB35,478,631.11 and the accrued interest of RMB888,542.61 as of the date of the Haixin Debt Rescheduling Agreement.

Shipyard Debt Rescheduling Agreement ("Shipyard Debt Rescheduling Agreement")

On 5 May 2014, GZE and TQS entered into the Shipyard Debt Rescheduling Agreement (as supplemented and amended on 22 August 2014, 27 February 2015, 28 May 2015, 30 July 2015, 16 October 2015 and 29 April 2016). The total amount of debt obligation under the Shipyard Debt Rescheduling Agreement was RMB1,526,741,949.33, being the aggregate of the principal of RMB1,429,497,482.80 and the accrued interest of RMB97,244,466.53 as of the date of the Shipyard Debt Rescheduling Agreement.

(ii) ***Interim Financing Agreements***

First loan agreement ("First Loan Agreement")

On 12 March 2013, the Company entered into the First Loan Agreement (as amended and supplemented on 16 October 2015 and 29 April 2016) with Fame Dragon, pursuant to which Fame Dragon agreed to provide an interim financing on request of the Company of up to approximately HK$62.24 million. The Company shall pay the interest accrued up to that day by allotting and issuing shares at the issue price of HK$0.10 per share to Fame Dragon (or its wholly-owned subsidiary), which shall be fully paid, free from all liens, charges, options, encumbrances and any other third party rights or interests and will rank pari passu in all respects with the other shares then in issue.

Second loan agreement ("Second Loan Agreement")

On 13 March 2014, the Company entered into the Second Loan Agreement (as amended and supplemented on 10 July 2014, 16 October 2015 and 29 April 2016) with Fame Dragon in relation to the provision of a 3-year unsecured loan of HK$62.24 million by Fame Dragon to the Company. The Company shall pay the interest accrued up to that day by allotting and issuing shares at the issue price of HK$0.10 per share to Fame Dragon (or its wholly-owned subsidiary), which shall be fully paid, free from all liens, charges, options, encumbrances and any other third party rights or interests and will rank pari passu in all respects with the other shares then in issue.

The 2015 loan agreement ("The 2015 Loan Agreement")

On 27 February 2015, the Company entered into the 2015 Loan Agreement (as amended and supplemented on 16 October 2015, 15 January 2016 and 29 April 2016) with Fame Dragon in relation to the provision of an unsecured loan of US$15 million by Fame Dragon to the Company. The Company shall pay the interest accrued up to that day by allotting and issuing shares at the issue price of HK$0.10 per share to Fame Dragon (or its wholly-owned subsidiary), which shall be fully paid, free from all liens, charges, options, encumbrances and any other third party rights or interests and will rank pari passu in all respects with the other shares then in issue; and on the loan maturity date, make payment in cash in respect of the principal amount and remaining interest accrued.

(iii) Working Capital Loan Agreement ("Working Capital Loan Agreement")

On 22 August 2014, TQS and GZE entered into the Working Capital Loan Agreement (as amended and supplemented on 27 February 2015, 28 May 2015, 30 July 2015, 16 October 2015 and 29 April 2016) in relation to the provision of a loan of not less than RMB60 million by GZE to TQS for its working capital. The Company shall (i) on the completion date of the transactions contemplated under the resumption proposal, pay the interest accrued up to that day by allotting and issuing shares at the issue price of HK$0.10 per share to GZE (or its wholly-owned subsidiary) based on the exchange rate as at the date of the relevant announcement, which shall be fully paid, free from all liens, charges, options, encumbrances and any other third party rights or interests and will rank pari passu in all respects with the other shares then in issue and (ii) on the loan maturity date, make payment in cash in respect of the principal amount and remaining interest accrued.

(e) Consideration issue

On 30 June 2016, the Company allotted and issued 14,000,000 new ordinary shares to Lego Corporate Finance Limited ("**Lego**"), the financial adviser to the Company in relation to the proposed restructuring of the Company. Having considered the financial position of the Company, the Company and Lego had agreed that part of the professional fees charged by Lego, being HK$1,400,000 would be settled by means of issue of consideration shares by the Company to Lego. The issue price of the consideration shares is HK$0.10 per share.

(f) Subscription of shares

On 30 June 2016, the Company allotted and issued 2,600,000,000 new ordinary shares to Chang Xin Asset Management Corporation Limited (the "**Chang Xin**") at a subscription price of HK$0.10 per share under the subscription agreement entered by the Company and Chang Xin as the subscriber dated 24 December 2015 (as supplemented and amended on 29 April 2016) (the "**Subscription Agreement**"). On the same date of the Subscription Agreement, the party to the GZE subscription agreement has mutually agreed to terminate the GZE subscription agreement dated 16 October 2015, and the GZE subscription agreement has become null and void.

The Directors consider that the arrangement to settle such indebtedness of the Group by way of issue of new shares to the respective parties could reduce the cash outlay of the Group, which would be beneficial to the Group's financial condition and development. For further details of the above transactions, please refer to the circular of the Company dated 13 May 2016. Details of the shares issued by the Company during the year are set out in note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Share Option Schemes" and "Shares Issued" on pages 17 and 21, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the company during the year or subsisted at the end of the year.

DISTRIBUTABLE RESERVES

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than its liabilities.

At 31 December 2016, the Company did not have any reserves available for distribution as calculated in accordance with the provisions of the laws of Bermuda.

MAJOR CUSTOMERS AND SUPPLIERS

Revenue attributable to the top five largest customers in aggregate and the single largest customer of the Group accounted for approximately 100% and 63% respectively of the total revenue of the Group for the year ended 31 December 2016. Purchase attributable to the top five largest suppliers in aggregate and the single largest supplier of the Group accounted for approximately 100% and 63% respectively of the total purchase of the Group for the year ended 31 December 2016.

None of the Directors nor their associates and none of the shareholders possessing over a 5% interest in the capital of the Company possessed any interests of suppliers and customers.

BORROWINGS

Bank and other borrowings repayable within one year or on demand are classified as current liabilities. Details of bank and other borrowings of the Group as at 31 December 2016 are set out in note 21 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Dr. Zhang Weibing *(Chairman)* (appointed as Chairman on 23 September 2016)
Mr. Tang Chao Zhang *(Chief Executive)*
Mr. Hu Hongwei
(re-designated from an independent non-executive director to a non-executive director on 13 December 2016)
(re-designated from a non-executive director to an executive director on 1 March 2017)
Dr. Liu Liming (appointed as an executive director on 15 July 2016)

Non-executive directors

Mr. Fan Qinghua (resigned as a non-executive director and Chairman on 23 September 2016)

Independent non-executive directors

Mr. Lau Fai Lawrence
Ms. Xiang Siying
Dr. Han Jun (appointed as an independent non-executive director on 13 December 2016)
Ms. Hsu Wai Man Helen (resigned as an independent non-executive director on 30 May 2016)

Under the Bye-laws, the directors shall have the power to appoint any person as a director at any time either to fill a casual vacancy on the Board or as an addition to the existing Board and such person is subject to retirement and re-election at the first general meeting or first annual general meeting respectively after his/her appointment. All directors are subject to retirement and re-election by the Shareholders on a rotation basis and pursuant to the Bye-laws, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation such that each director shall be subject to retirement by rotation at least once every three years at the annual general meeting. The Board published the procedures for shareholders to propose a person for election as a director on the Company's website and delegated its authority to the Nomination Committee for making recommendation to the Board on the appointment or re-appointment of directors.

In accordance with the Bye-laws no. 86(2) of the Company's Bye-laws, Dr. Han Jun will retire at the forthcoming annual general meeting and, being eligible will offer herself for re-election.

In accordance with the Bye-laws no. 87(1) of the Company's Bye-laws, Mr. Tang Chao Zheng and Mr. Hu Hongwei will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Two of the independent non-executive directors have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules.

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

DIRECTORS' SERVICE CONTRACTS

The independent non-executive directors are appointed for a specific term, subject to re-election, which will run until the conclusion of the third annual general meeting from the date of their last re-election and in accordance with the Bye-laws.

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in note 39 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any transactions, arrangements and contract, of that is significant to the business of the Group to which the Company or any of its subsidiaries, its parent company or any subsidiary of its parent company was a party and in which a director of the Company or his/her connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors or their respective associates has interests in the businesses, other than being a director, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder).

DIRECTORS' INDEMNITIES AND INSURANCE

As permitted by the Bye-laws, every director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in our about the execution of the duties of his or her office or otherwise in relation thereto.

Such provisions were in force during the course of the financial year ended 31 December 2016 and remained in force as at the date of this report. The Company has arranged appropriate directors' and officer's liability coverage for the directors and officers of the Company.

CONNECTED TRANSACTIONS

GZE is the controlling shareholder of the Company which indirectly holds approximately 63.97% of shares of the Company as at the date of this Annual Report and, is a connected person of the Company according to Rule 14A.07(1) of the Listing Rules. Therefore, the transactions contemplated under the TPG Debt Rescheduling Agreement, the Haixin Debt Rescheduling Agreement, the First Loan Agreement, the Second Loan Agreement, the Working Capital Loan Agreement and the 2015 Loan Agreement, including the issue of shares to GZE and the parties acting in concert with it pursuant to the aforesaid agreements, constitute connected transactions of the Company under Rule 14A.25 of the Listing Rules. Please refer to the "Shares Issued" section on page 21 to 23 of this Annual Report for further details of the connected transactions.

Significant related party transactions entered by the Group during the year ended 31 December 2016 are disclosed in note 39 to the consolidated financial statements.

MANAGEMENT CONTRACTS

On 9 April 2014, FELS Offshore Pte Ltd ("**FELS**") entered into a management services agreement with TQS and the Company (as supplemented and amended), pursuant to which FELS has conditionally agreed to provide management services for the operations of the shipyard in Quanzhou, the PRC owned by TQS. Details of the management services agreement are set out in the announcements dated 11 April 2014, 5 January 2015, 28 May 2015 and 7 August 2015 and 8 April 2016 respectively.

Save as disclosed above, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

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

At 31 December 2016, no directors and chief executives of the Company have interests and short positions in the shares, underlying shares and debentures of the Company or any 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 Executives' interests and short positions in shares, underlying shares and debentures" above and in the share option scheme disclosures in note 35 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate be granted to any director of the Company or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or the Company or any of its subsidiaries, its parent company or any subsidiary of its parent company a party to any arrangements to enable the directors to acquire such rights in any other body corporate.

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

At 31 December 2016, so far as is known to the directors of the Company, the following companies and persons had an interests or short positions in the shares and/or 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 Securities and Futures Ordinance ("**SFO**"):

Long positions:

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.*) ("**Hainan Li Jin**")	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*) ("**Zhuhai Zhenrong**")	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%
廣東振戎(香港)有限公司 (Guangdong Zhenrong (Hong Kong) Company Limited*) ("**Guangdong Zhenrong HK**")	Corporate interest	20,358,629,484 (Note 1)	555,000,000 (Note 1)	66.47%/1.81%

Name	Capacity	Number of issued ordinary shares held	Number of issued preferred shares held	Approximate percentage (%) of shareholding
榮龍國際投資有限公司 (Fame Dragon International Investment Limited) ("**Fame Dragon**")	Beneficial interest/ Corporate 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 is directly, wholly and beneficially owned by Guangdong Zhenrong HK which is directly, wholly and beneficially owned by GZE.

Zhuhai Zhenrong and Hainan Li Jin were interested in 44.3% and 35% respectively in the share capital of GZE, and were deemed under the SFO to be interested in the shares in which GZE had an interest. Hainan Li Jin was owned as to 34% by Xia Ying Yan, as to 33% by He Xiao Qun and as to 33% by Liang Wei.

DBIL is directly, wholly and beneficially owned by Guangdong Zhenrong HK which is directly, wholly and beneficially owned by GZE.

Save as disclosed above, and as at 31 December 2016, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions", at no time during the year had the Company or any of its subsidiaries, and the controlling shareholder (as defined under the Listing Rules) or any of its subsidiaries entered into any contract or significance or any contract of significance for the provision of services to the Company or its subsidiaries by the controlling shareholder or any of its subsidiaries.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

A detailed Corporate Governance Report is set out on pages 7 to 19 of this Annual Report.

CHARITABLE DONATIONS

No charitable donations were made by the Company during the year (2015: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as the Company's code of conduct regarding director's securities transactions. Having made specific enquiries of the relevant directors during the year, save as disclosed below, all the relevant directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2016.

REVIEW OF FINANCIAL STATEMENTS

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

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2016 and discussed the same with management and the external auditors and, as a result, is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and other reporting requirements, and that adequate disclosures have been made.

AUDITORS

On 13 January 2017, HLB Hodgson Impey Cheng Limited resigned as auditors of the Company and Elite Partners CPA Limited was appointed as auditors of the Company to fill its casual vacancy on 20 February 2017. A resolution for re-appointment of Elite Partners CPA Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Zhang Weibing
Chairman

Hong Kong
31 March 2017

FINANCIAL OVERVIEW

Revenue of the Group for the year ended 31 December 2016 was approximately HK$760.9 million, which was mainly attributable to the income from the trading of bulk commodities business, including petroleum, petrochemical and other related products which was reactivated during the second half of the year under review. As disclosed in the annual report of the Company for the year ended 31 December 2015, the Group did not earn any revenue in this segment for the year ended 31 December 2015.

The Group recorded a profit attributable to owners of the Company of approximately HK$1,889.8 million for the year ended 31 December 2016, as compared to the loss attributable to shareholders of approximately HK$241.8 million for the year ended 31 December 2015. The turnaround from loss to profit was mainly due to the significant increase in other gain of approximately HK$2,155.3 million for the year under review as compared with that for the year ended 31 December 2015, which was mainly attributable to the non-cash gains of approximately HK$1,542.1 million arising from the completion of the debts restructuring of the Group, gain on settlement of amount due to a deconsolidated subsidiary of approximately HK$324.2 million, derecognition of amount due to deconsolidated subsidiaries of approximately HK$141.6 million, and derecognition of amount due to a deconsolidated jointly-controlled entity of approximately HK$99.0 million, during the year under review.

DIVIDEND

The Board of the Company does not recommend the payment of any dividend for the year ended 31 December 2016 (31 December 2015: HK$Nil).

BUSINESS REVIEW

Shipbuilding and ship repair business

After resumption of trading of the Shares of the Company on 15 July 2016, the Group was in the process of re-activating its shipbuilding and ship repair businesses by utilizing the Quanzhou shipyard and the qualified and experienced work force to rebuild the business of the Group. The business was reclassified as "continuing operation" during the year under review from "discontinued operation" during the year 2015 after completion of the restructuring. During the year, there is no revenue generated under this segment yet.

The Group has been preparing to commence the ship repair business in 2017. In 2017, the Company had entered into a co-operation agreement and a memorandum of understanding with different parties in order to expand the volume of business orders of the Group.

Bulk commodities trading business

During the six months ended 31 December 2016, the Group has re-activated its trading business of various bulk commodities products including petroleum, petrochemical and other related products which achieved sales of approximately HK$760.9 million and gross profit of approximately HK$1.5 million.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to promoting green operation. The subsidiaries within the Group have implemented relevant environmental protection measures to minimise the environmental damage caused during the production process. Internally, the Group encourages its employees to adopt environmentally responsible behavior to reduce use of resources, minimise waste and increase recycling.

The subsidiaries of the Company in China strictly comply with the country's environmental laws and regulations and were not aware of any material non-compliance with relevant standards, rules and regulations during the year.

Environmental, Social and Governance Report will be reported separately from this report and will be published within three months after the publication of this report.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group's net assets amounted to approximately HK$97.2 million, compared to net liabilities of HK$4,049.1 million as at 31 December 2015.

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, Mainland China and Singapore. As at 31 December 2016,

a) The Group had:

- Cash and bank balances of HK$257.7 million (31 December 2015: HK$10.0 million), restricted cash of HK$Nil (31 December 2015: HK$26.5 million). These balances were comprised of:

  – an equivalent of HK$121.0 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$91.7 million (31 December 2015: HK$1.0 million) denominated in Renminbi ("**RMB**")

  – HK$44.8 million (31 December 2015: HK$6.9 million) in Hong Kong dollars ("**HK$**")

- Interest-bearing bank and other loans of HK$390.0 million (31 December 2015: HK$256.1 million), of floating rate loans denominated in USD amounted to HK$Nil (31 December 2015: HK$5.9 million). The Group's bank and other loans having maturities within one year amounted to HK$Nil (31 December 2015: HK$5.9 million)

- Loans from the ultimate holding company of HK$1,716.7 million (31 December 2015: HK$1,936.3 million), of which HK$1,630.8 million (31 December 2015: HK$1,936.3 million) having maturities over one year

- Loans from the immediate holding company of HK$Nil (31 December 2015: HK$143 million).

b) The Group had:

- Current assets of HK$601.0 million (31 December 2015: HK$245.8 million) and total assets of HK$3,168.3 million (31 December 2015: HK$2,997.5 million)

- Total bank and other loans of HK$390.0 million (31 December 2015: HK$256.1 million)

- The Senior Notes Due 2012 of HK$Nil (31 December 2015: HK$882.3 million)
- The Convertible Notes Due 2015 of HK$Nil (31 December 2015: HK$441.8 million)
- The PIK Notes Due 2015 of HK$Nil (31 December 2015: HK$88.6 million)
- Convertible preferred shares issued by the Company (the "**Titan preferred shares**") with a liability portion of HK$379.5 million (31 December 2015: HK$435.3 million)
- Loans from the ultimate holding company of HK$1,716.7 million (31 December 2015: HK$1,936.3 million)
- Loans from the immediate holding company of HK$Nil (31 December 2015: HK$143.2 million).

CHARGES ON ASSETS

As at 31 December 2016, the Group's banking and other facilities, were secured or guaranteed by:

- Construction in progress with an aggregate carrying value of HK$735.1 million (31 December 2015: HK$785.3 million)
- Machinery with an aggregate net carrying value of HK$52.8 million (31 December 2015: HK$83.5 million)
- Buildings with an aggregate net carrying value of HK$393.2 million (31 December 2015: HK$435.2 million)
- Prepaid land/seabed lease payments with an aggregate net carrying value of HK$244.1 million (31 December 2015: HK$254.8 million)
- Investment property with an aggregate net carrying value of HK$172.0 million (31 December 2015: HK$156.2 million)
- Corporate guarantees executed by the Company and its subsidiaries
- Corporate guarantees executed by the subsidiaries of the ultimate holding company
- Personal guarantees executed by a related party and a former director of the Company
- Certain Company shares owned by related parties of the Company.

GEARING

The Group's current ratio was 1.14 (31 December 2015: 0.05). 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 0.66 (31 December 2015: 1.32).

CONTINGENT LIABILITIES

The details of contingent liabilities are disclosed in note 38 to the consolidated financial statement.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Group was not involved in any material acquisitions, disposals and significant investment during the year ended 31 December 2016.

FOREIGN EXCHANGE EXPOSURE

The Group operated in Mainland China, Hong Kong and Singapore and primarily used RMB and USD for the business in Mainland China, HKD and USD in Hong Kong and USD and SGD in Singapore. The Group exposed to foreign exchange risk based on fluctuations between HKD, USD and RMB arising from its core operation in the Mainland China and Hong Kong. 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had 117 employees (31 December 2015: 173), of which 96 employees (31 December 2015: 151) worked in Mainland China and 20 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 year ended 31 December 2016.

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.

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).

Further to the announcement of the Company dated 27 June 2016, 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 midnight Hong Kong time on 14 July 2016.

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 at the Court of Appeal of the Eastern Caribbean Supreme Court (the "**BVI Court of Appeal**") against the Order and applied for a stay of execution of the Order pending the determination of the appeal. The stay application was subsequently withdrawn.

The BVI Court of Appeal was stayed until 20 March 2013 (BVI time) by consent of TOSIL as appellant and SSL and TGIL as respondents. The BVI Court of 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 38 of the consolidated financial statements.

c) Hong Kong Proceedings

(i) On 31 December 2015, Mr. Wong Siu Hung Patrick (the "**Plaintiff**") filed a claim in the Labour Tribunal in Hong Kong against TRML for the sum of HK$1,046,551.15 allegedly due to the termination of the employment contract between the Plaintiff and the TRML (the "**Claim**"). The Plaintiff was a former executive director of the Company. He resigned as an executive director of the Company and also ceased to act as the Company's authorised representative and the directors of the wholly-owned subsidiaries of the Company on 30 September 2015. The Claim was subsequently transferred to the Hong Kong High Court and the Company was joined as second defendant. Pursuant to the directions of Hong Kong High Court dated 13 April 2016, the Plaintiff filed and served the Statement of Claim on 25 April 2016, in which the Claim amount was revised to HK$1,069,251.28. On 17 June 2016, TRML and the Company filed and served the Defense to Hong Kong High Court. The case is under progress of exchanging all the relevant documents to the High Court by the Plaintiff and the Defendants.

(ii) On 7 December 2016, A. Plus Financial Press Limited, filed a claim in the High Court against the Company for the sum of HK$1,117,018.15 due to the dispute of printer's fees from September 2015 to July 2016. The Company has filed and served the Defense on 9 March 2017.

The details are disclosed in note 38 of the consolidated financial statements.

d) PRC Proceedings

Titan Quanzhou Shipyard Co., Ltd ("**TQS**"), as the second defendant, was claimed by Shanghai Pudong Development Bank Fuzhou Branch ("**SPDB**") in Xiamen Maritime Court for overdue bank loan by Guangdong Zhenrong Energy Limited. The council of TQS attend the Court hearing and defended that TQS was not the appropriate defendant for this claim by SPDB against GZE. The final judgment is awaited from the Court.

This details are disclosed in note 38 of the consolidated financial statements.

DEBTS 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 Bermuda 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.

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).

The details of the debt restructuring and remaining indebtedness arrangements were disclosed in the circular dated 13 May, 2016.

Upon completion of the debt restructuring during 2016, the liabilities of Guaranteed Senior Convertible Notes (Convertible Notes due 2015"), Guaranteed Senior Payment-in-kind notes ("**PIK Notes due 2015**"), and Notes Payable (The K-line Notes due 2013) are all fully released. Their balances at 31 December 2016 are all zero.

In 2007, the Company issued preferred shares at the stated value of HK$0.56 per share ("**Titan Preferred Shares**"). The Group has entered into a deed and subsequent amendments regarding the extension of the redemption period of the Titan Preferred shares and the restriction of the conversion of the Titan Preferred Shares. The Modification Deed will be conditional upon the fulfillment of certain conditions. The Company further entered into supplemental agreements, pursuant to which the parties agreed to extend the long stop date for the satisfaction of the conditions under the Modification Deeds. The Modification Deed became effective on 24 June 2016. As at 31 December, 2016, the Titan Preferred Shares are recorded at fair value of approximately HK$379.5 million.

All the terms and conditions 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.

In relation to the amount due to the deconsolidated subsidiaries of approximately HK$333.3 million, the Group proposed to restructure its debts by negotiating with the liquidators of the deconsolidated subsidiaries to compromise debts by any payments to be made to Titan Resources Management (S) Pte. Ltd. (in liquidation), a company incorporated in Singapore, or any party amounted to approximately HK$9.1 million. The Group has fully settled the amount during the year under review. So the remaining balance of approximately HK$324.2 million was recognized as gain on debt restructuring.

RESUMPTION OF TRADING

Trading in the ordinary shares of the Company on the Stock Exchange of Hong Kong Limited ("**the Stock Exchange**") was suspended with effect from 9:00 a.m. on 19 June 2012. As all the conditions on the resumption proposal of the Company have been fulfilled and the winding up petition was withdrawn, the joint and several provisional liquidators of the Company were discharged at midnight on 14 July 2016 (Hong Kong time). Trading in the shares of the Company on the Stock Exchange was resumed with effect from 9:00 a.m. on Friday, 15 July 2016.

Details were disclosed in the announcements of the Company dated 2 February 2016, 16 March 2016, 18 March 2016, 5 May 2016, 14 July 2016 and 15 July 2016 and the circular of the Company dated 13 May 2016.

OPEN OFFER AND SUBSCRIPTION OF NEW SHARES

During the year ended 31 December 2016, 2,606,851,560 open offer shares and 2,600,000,000 subscription shares were allotted and issued to the qualifying shareholders and the subscriber respectively on 30 June 2016.

The Company has 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 Scheme Creditors of approximately HK$264,631,000, approximately HK$17,071,000 for the settlement of certain debts under the remaining indebtedness arrangements and general working capital of approximately HK$42,529,000. 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.

EVENTS AFTER THE REPORTING PERIOD

Formation of a joint venture company

The Company have through a direct-wholly subsidiary company, Titan Oil Storage Investment Limited formed a joint venture company, namely 振戎重工股份有限公司 (Sinozing Shipyard Stock Limited Company*) ("**JV Company**") with the independent third parties in People's Republic of China on 19 January 2017.

The JV Company is located in the North Bund Area of Hongkou District, Shanghai, China ("**North Bund**"), where was entitled of "shipping Headquarter Base" in 2012 by the Ministry of Transport, the PRC. Many famous international and Chinese shipping companies registered their China headquarters in this area. The JV Company is proposed to reply on the policy and geographical advantages of the North Bund, to offer the integrated service of ship repair, shipbuilding, ship conversion, maritime construction and maritime services business starting from China market. The JV Company aims to build up a leading comprehensive service company of ship industry in Asia.

Acquisition of Zhoushan Yatai Shipbuilding Engineering Co., Ltd. ("Zhoushan Yatai")

The Group had entered into the Framework Agreement and the Amended Framework Agreement in January and February 2017 respectively, pursuant to which the Company has conditionally agreed to acquire 46% indirect interest in Zhoushan Yatai at the consideration of HK$112,927,997.10, which shall be satisfied by the allotment and issue of 1,411,599,964 consideration shares of the Company to the vendor under the general mandate at the issue price of HK$0.08 per share by the Company under the Amended Framework Agreement upon completion. The long stop date regarding the completion at the Amended Framework Agreement has been extended to 31 March 2017.

All the conditions precedent set out in the Amended Framework Agreement have been fulfilled (or waived, as the case may be) and the completion of the acquisition took place on 31 March 2017.

Upon completion of the acquisition, Zhoushan Yatai became an associated company of the Group, and the Group's indirect interest in Zhoushan Yatai through VIE structure is 46%. Zhoushan Yatai is principally engaged in the business of repair and reconstruction of marine and offshore drilling platforms, marine engineering equipment and facilities. Zhoushan Yatai is located in the center of East China shipping line and on adjacent area of Shanghai, Zhoushan and Ningbo ports. It has deepwater coastlines and hinterland resources and there is no time and tide limit for the vessels entering and leaving the dockyard. Thus it is an ideal location for shipyard repairing.

Proposed Investment in a Singapore Company

On 28 March 2017, the Company had entered into a non-legally binding memorandum of understanding with EMS Energy Limited ("**EMS**") in relation to a total of SG$10 million potential investment by subscribing the convertible notes to be issued by EMS, to enable for the completion of construction of a shipyard of EMS which is located at 12 Tuas South Street 15, Singapore with an area of 23,237.88 square meters and 106 meters waterfront boundary length.

OUTLOOK

In 2016, the sectors of shipbuilding and marine engineering did not achieve expected growth. Looking forward in 2017, the China's shipbuilding industry will face the overcapacity, price-competitiveness and fierce competition. Accordingly, some shipbuilding enterprises with excellent operation performance are expected to ultimately survive and some of them focusing on market segments and specializing in characteristic production will also survive. It is expected that China's shipbuilding industry will accelerate its transformation and will generally enter into an industrial structure adjustment stage.

Following the implementation of the national continuing strategies of "One Belt, One Road", "Made in China 2025" and "The thirteen five year plan", the Group would be taking advantages and embracing new opportunities to continually optimize the business structure of the Company, in order to grasp the opportunities when the upturn of the China's shipbuilding market eventually comes.

The Group will continue to adopt diversified business strategies to cope with the risks of the China's domestic economy downturn, and allocate resources flexibly to seize any possible investment opportunities. The Group believes that our business will continue to expand and generate greater return to our investors. Ultimately, the Group will continue to strengthen its overall financial position in preparation for any possible changes in the industry.

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

TO THE MEMBERS OF TITAN PETROCHEMICALS GROUP LIMITED
(incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Titan Petrochemicals Group Limited Company ("**the Company**") and its subsidiaries (together the "**Group**") set out on pages 44 to 120, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Scope limitation in connection with the transactions in current year

(a) Scope limitation — written off of prepayments, deposits and other receivables

During the year ended 31 December 2016, the Group has written off the amounts of approximately HK$30,724,000 in relation to the prepayments, deposits and other receivables recorded in Titan Quanzhou Shipyard Co., Limited ("**Titan Shipyard**") (the "**Receivables**"). As the best knowledge of the directors, the Receivables have been recorded in the books of Titan Shipyard since 2011. As represented by the directors, the Group has actively identified and negotiated with the debtors of the Receivables individually to confirm the nature and balances during the year ended 31 December 2016. However, approximately HK$30,724,000 of prepayments, deposits and other receivables were unidentified. Accordingly, the Group wrote off the Receivables and charged to the consolidated profit or loss for the year ended 31 December 2016 based on the consideration that such Receivables were recorded for a long period of time and the existence and the recoverability of the Receivables were in doubts.

We were unable to obtain sufficient appropriate audit evidence regarding the written off of Receivables because (i) there was inadequate documentary evidence available for us to verify the validity, existence, completeness and accuracy for the balance of the Receivables; (ii) we were unable to carry out any effective confirmation procedures for the purpose of confirming the balance of the Receivables; (iii) there was no alternative audit procedures that we could perform to satisfy ourselves as to whether the timing and the treatment to write off the Receivables were appropriate; and (iv) we were unable to obtain appropriate audit evidence regarding whether any related party transactions were involved in the Receivables and appropriateness of the related disclosure thereof.

(b) Scope limitation — other gain arising from the derecognition of liabilities

As disclosed in note 7, the Group recognised income of approximately HK$141,560,000, HK$98,953,000 and HK$39,145,000 in relation to the derecognition of liabilities arising from (i) an amount due to deconsolidated subsidiaries (the "**Deconsolidated Subsidiaries**"); (ii) an amount due to a deconsolidated jointly-controlled entity (the "**JC Entity**"); and (iii) other payables and accruals respectively.

(i) Derecognition of liabilities for amount due to Deconsolidated Subsidiaries

The Deconsolidated Subsidiaries were deconsolidated from the Group since 2013 because the Deconsolidated Subsidiaries were placed in liquidation and the directors considered that the Group's control over the Deconsolidated Subsidiaries had been lost. As a result, amounts of approximately HK$141,560,000 due to the Deconsolidated Subsidiaries were recorded in the Group's consolidated statement of financial position since then.

During the year ended 31 December 2016, the directors are in the opinion that the Group had no obligation to settle the liabilities because the liquidation of the Deconsolidated Subsidiaries were in progress and there was no demand notice given by any of the Deconsolidated Subsidiaries to the Group since deconsolidation for the requisition of settlement of the liabilities. Accordingly, the Group derecognised such liabilities and credited as income for the derecognition of liabilities of approximately HK$141,560,000 in the profit or loss for the year ended 31 December 2016.

(ii) Derecognition of liabilities for amount due to JC Entity

The JC Entity is currently under liquidation and a liquidator has been appointed by the creditors (the "**Liquidator**") to liquidate the JC Entity. In the statement of assets and liabilities issued by the Liquidator, there was no balance showing the amounts of liabilities due to the JC Entity by the Group and there was no demand notice given by the Liquidator of the JC Entity to the Group for the requisition of settlement of the liabilities.

In this regard, the directors are in the opinion that the Group has no obligation to settle the liabilities and therefore derecognised the liabilities and credited as income for the derecognition of liabilities of approximately HK$98,953,000 in the profit or loss for the year ended 31 December 2016.

(iii) Derecognition of liabilities for other payables and accruals

During the year ended 31 December 2016, the Group derecognised an amount of approximately HK$39,145,000 in relation to other payables and accruals recorded in Titan Shipyard (the "**Payables**"). As the best knowledge of the directors, the Payables were recorded in the books of Titan Shipyard since 2011. As represented by the directors, the Group has actively identified and negotiated with the creditors of the Payables individually to confirm the nature and balances during the year ended 31 December 2016. However, as at 31 December 2016, approximately HK$39,145,000 of other payables and accruals were unidentified. Accordingly, the Group derecognised the Payables and credited as income in the consolidated profit or loss for the year ended 31 December 2016 based on the consideration that (i) the Payables were due for a long period of time; and (ii) there was no demand notice given by any of the creditors of the Payables for the settlement of the such liabilities.

For the purpose of our audit, we were unable to obtain sufficient appropriate audit evidence for the above mentioned derecognition of liabilities because (i) there was inadequate documentary evidence available for us to verify the validity, existence, completeness and accuracy for the balances of the above mentioned liabilities and any related party transactions were involved; (ii) we were unable to carry out any effective confirmation procedures for the purpose of (a) confirming the balances of the above mentioned liabilities; (b) confirming the appropriateness for the discharge of the liabilities and whether it was appropriate to derecognise in financial year ended 31 December 2016; and (iii) there was no alternative audit procedures that we could perform to satisfy ourselves as to whether the appropriateness of accounting treatment for the derecognition of liabilities and credited as income was appropriate.

Any adjustments that might have been found necessary from any of the above matters may have a significant effect on the Group's financial position as at 31 December 2016 and of its financial performance and cash flows for the years ended 31 December 2016, and the related disclosures in the respective consolidated financial statements.

2. Scope limitation — Opening balances and corresponding figures

The auditors' report dated 29 March 2016 in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2015 was disclaimed as a result of scope limitation (i) Assets and liabilities of a disposal group classified as held for sale; (ii) Amounts due from/to holding companies of a deconsolidated jointly-controlled entity; (iii) Amounts due from/to deconsolidated subsidiaries; (iv) Financial guarantee contracts and commitments; (v) Events after the reporting period; and (vi) Related party transactions. As a result, we were unable to obtain sufficient appropriate audit evidence regarding the opening balances and corresponding figures and there were no alternative audit procedures to satisfy ourselves as to whether the opening balances and corresponding figures were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets and liabilities as at 31 December 2015 and 2016 and its results for the years ended 31 December 2015 and 2016, and the presentation and disclosure thereof in the consolidated financial statements.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA and to issue an auditor's report. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Yip Kai Yin with practising certificate number P05131.

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 31 March 2017

10th Floor,
8 Observatory Road, Tsim Sha Tsui,
Kowloon, Hong Kong

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Re-presented)
Revenue	6(a)	**760,921**	—
Cost of sales		**(759,466)**	—
Gross profit		**1,455**	—
Other income	6(b)	**1,415**	81
Other gain or loss	7	**2,221,204**	65,947
General and administrative expenses		**(155,265)**	(140,752)
Finance costs	8	**(173,437)**	(168,412)
Profit/(Loss) before tax	9	**1,895,372**	(243,136)
Income tax (expense)/credit	12	**(5,553)**	1,355
PROFIT/(LOSS) FOR THE YEAR		**1,889,819**	(241,781)
Profit/(Loss) for the year attributable to:			
Owners of the Company		**1,889,840**	(241,781)
Non-controlling interests		**(21)**	—
		1,889,819	(241,781)
BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
Basic per share (cents)		**HK9.77 cents**	(HK3.09 cents)
Diluted per share (cents)		**HK9.57 cents**	(HK3.09 cents)

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 HK$'000	2015 HK$'000 (Re-presented)
Profit/(Loss) for the year	**1,889,819**	(241,781)
Other comprehensive (expenses)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(24,206)**	25,357
Other comprehensive (expenses)/income for the year, net of tax	**(24,206)**	25,357
Total comprehensive income/(expenses) for the year	**1,865,613**	(216,424)
Total comprehensive income/(expenses) attributable to:		
Owners of the Company	**1,865,631**	(216,424)
Non-controlling interests	**(18)**	—
	1,865,613	(216,424)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000 (Re-presented)
NON-CURRENT ASSETS			
Property, plant and equipment	14	**2,113,588**	2,301,554
Prepaid land/seabed lease payments	15	**281,650**	293,982
Investment property	16	**172,034**	156,154
Total non-current assets		**2,567,272**	2,751,690
CURRENT ASSETS			
Inventories	17	**39,363**	42,053
Trade receivables	18	**209,274**	—
Prepayments, deposits and other receivables	19	**94,633**	167,173
Restricted cash	20	**—**	26,547
Cash and cash equivalents	20	**257,712**	9,989
Total current assets		**600,982**	245,762
CURRENT LIABILITIES			
Interest-bearing bank and other loans	21	**—**	5,850
Trade payables	22	**183,352**	306,537
Other payables and accruals	23	**188,000**	1,138,009
Fixed rate guaranteed senior notes	24	**—**	882,329
Guaranteed senior convertible notes	25	**—**	441,753
Guaranteed senior payment-in-kind notes	26	**—**	88,657
Notes payable	27	**—**	202,896
Liability portion of convertible preferred shares	28	**—**	435,325
Tax payable		**930**	1,008
Amounts due to the ultimate holding company	29	**69,053**	1,092,386
Amount due to the immediate holding company	29	**—**	2,526
Loans from the immediate holding company	30	**—**	3,000
Loans from the ultimate holding company	30	**85,834**	—
Total current liabilities		**527,169**	4,600,276
NET CURRENT ASSETS/(LIABILITIES)		**73,813**	(4,354,514)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,641,085**	(1,602,824)

	Notes	2016 HK$'000	2015 HK$'000 (Re-presented)
NON-CURRENT LIABILITIES			
Loans from the ultimate holding company	30	**1,630,842**	1,936,367
Loans from the immediate holding company	30	**—**	140,240
Liability portion of convertible preferred shares	28	**379,509**	—
Other loans	21	**390,020**	250,333
Interest payables of other loans		**50,290**	29,288
Deferred tax liabilities	31	**93,195**	90,006
Total non-current liabilities		**2,543,856**	2,446,234
Net assets/(liabilities)		**97,229**	(4,049,058)
EQUITY			
Attributable to owners of the Company			
Share capital	32	**306,273**	78,206
Reserves	33	**(209,026)**	(4,127,264)
		97,247	(4,049,058)
Non-controlling interests		**(18)**	—
Total equity		**97,229**	(4,049,058)

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2017 and signed on its behalf by:

Zhang Weibing	**Tang Chao Zhang**
Director	*Director*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Total equity attributable to the owners of the Company										
	Share capital	Share premium	Contributed surplus	Share option reserve	PRC statutory reserve	Asset revaluation reserve	Exchange fluctuation reserve	Accumulated losses	Subtotal	Non-Controlling interest	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2015 (Re-presented)	78,206	2,473,241	18,261	5,784	175	108,105	154,863	(6,671,269)	(3,832,634)	—	(3,832,634)
Loss for the year	—	—	—	—	—	—	—	(241,781)	(241,781)	—	(241,781)
Other comprehensive income	—	—	—	—	—	—	25,357	—	25,357	—	25,357
Total comprehensive loss	—	—	—	—	—	—	25,357	(241,781)	(216,424)	—	(216,424)
Lapse of share options after vesting period	—	—	—	(4,087)	—	—	—	4,087	—	—	—
At 31 December 2015 and at 1 January 2016 (Re-presented)	78,206	2,473,241	18,261	1,697	175	108,105	180,220	(6,908,963)	(4,049,058)	—	(4,049,058)
Profit for the year	—	—	—	—	—	—	—	1,889,840	1,889,840	(21)	1,889,819
Other comprehensive expense	—	—	—	—	—	—	(24,209)	—	(24,209)	3	(24,206)
Total comprehensive income	—	—	—	—	—	—	(24,209)	1,889,840	1,865,631	(18)	1,865,613
Issue of shares	228,067	2,052,607	—	—	—	—	—	—	2,280,674	—	2,280,674
Lapse of share options after vesting period	—	—	—	(425)	—	—	—	425	—	—	—
At 31 December 2016	**306,273**	**4,525,848**	**18,261**	**1,272**	**175**	**108,105**	**156,011**	**(5,018,698)**	**97,247**	**(18)**	**97,229**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	2016 HK$'000	2015 HK$'000 (Re-presented)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax:	**1,895,372**	(243,136)
Adjustments for:		
Depreciation of property, plant and equipment	**45,080**	49,708
Amortisation of prepaid land/seabed lease payments	**6,969**	7,112
Interest income	**(80)**	(28)
Finance costs	**173,437**	168,412
(Gain)/Loss arising on change in fair value of investment property	**(27,159)**	505
Gain on fair value change of preferred shares	**(70,424)**	—
Written off of prepayment, deposit and other receivables	**30,724**	—
Derecognition of other payables and accruals	**(39,145)**	—
Gain on restructuring	**(1,542,091)**	—
Gain on settlement of amount due to a deconsolidated subsidiary	**(324,209)**	—
Derecognition of amount due to deconsolidated subsidiaries	**(141,560)**	—
Derecognition of amount due to deconsolidated jointly controlled entity	**(98,953)**	—
Reversed of overprovision of legal fee	**(23,400)**	—
Operating cash flows before working capital change	**(115,439)**	(17,427)
Increase in trade receivables	**(209,274)**	—
Decrease in prepayments, deposits and other receivables	**41,816**	330
Increase in trade payable	**183,352**	378
Increase/(Decrease) in other payables and accruals	**127,096**	(70,623)
Cash generated from/(used in) operations	**27,551**	(87,342)
Tax paid	**(7)**	—
Net cash generated from/(used in) operating activities	**27,544**	(87,342)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	2016 HK$'000	2015 HK$'000 (Re-presented)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**80**	28
Purchase of property, plant and equipment	**(831)**	(54)
Net cash used in investing activities	**(751)**	(26)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans from ultimate holding company	**5,668**	6,393
Loans from immediate holding company	**—**	89,609
Repayment of loans from immediate holding company	**(88,870)**	—
Repayment of other loan	**(5,850)**	—
Settlement of Fixed rate guaranteed senior notes	**(140,772)**	—
Settlement of Guaranteed senior convertible notes	**(57,489)**	—
Settlement of Guaranteed senior payment-in-kind notes	**(12,870)**	—
Settlement of Notes payables	**(20,290)**	—
Interest paid	**(70)**	—
Issuance of shares	**520,686**	—
Decrease/(Increase) in restricted cash	**26,547**	(27)
Net cash generated from financing activities	**226,690**	95,975
NET INCREASE IN CASH AND CASH EQUIVALENTS	**253,483**	8,607
Cash and cash equivalents at the beginning of the year	**9,989**	1,446
Effect of foreign exchange rate changes, net	**(5,760)**	(64)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**257,712**	9,989

1. CORPORATE INFORMATION

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

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

The Group is principally engaged in the business of construction and repair of ship, and the construction, repair, conversion and upgrading of oil rigs and FPSO, FSO, FSRU and FLNG, and upstream and downstream oil and gas business. The activities of its principal subsidiaries are set out in note 47.

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

2.1 BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations), issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). They have been prepared under the historical cost convention, except for the investment property, which has been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following amended HKFRSs and HKASs issued by the HKICPA which became effective for accounting periods beginning on or after 1 January 2016.

a) **Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception**

The amendments mainly clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. Given that the Company is not an investment entity and is a listed entity, the consolidation exception set out in the amendments will not be applicable to the Company and hence the application of these amendments has had no impact on the Group's consolidated financial statements.

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

The amendments 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 should be applied. The amendments also require that a joint operator to disclose the relevant information required by HKFRS 3 and other standards for business combinations. The amendments require prospective application; prospectively in annual periods beginning on or after 1 January 2016. The Group did not have any such transactions in the current year and hence the application of these amendments has had no impact on the Group's consolidated financial statements.

c) **Amendments to HKAS 1 Disclosure Initiative**

The amendments clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material (even if the HKFRS contains a list of specific requirements or describes them as minimum requirements). The amendments also give guidance on the bases of aggregating and disaggregating information for disclosure purposes. The amendments emphasise that an entity should consider whether to provide additional disclosures when compliance with the specific requirements in HKFRSs is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Furthermore, the amendments require that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As required by the amendments, the share of other comprehensive income of associates and joint ventures had been separately presented and had been separated into (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met. Other than such a change in presentation, the application of these amendments has not resulted in any impact on the financial performance or financial position of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

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

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

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

With regard to the Group's property, plant and equipment and intangible assets, the Group did not use revenue-based depreciation method and hence the amendments have not have any impact on the Group's financial position and financial performance. Rather, the Group has been using the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively.

e) Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments define a bearer plant that is a living plant that:

a) is used in the production or supply of agricultural produce;

b) is expected to bear produce for more than one period; and

c) has a remote likelihood of being sold as agricultural produce except for incidental scrap sales.

The amendments require that biological assets that meet the definition of a bearer plant should 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 application of these amendments has had no impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

f) 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 summarized below.

Firstly, the amendments to HKFRS 5 introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

f) Annual Improvements to HKFRSs 2012–2014 Cycle (Continued)

Secondly, 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.

Thirdly, the amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead. The Group did not have any defined benefit scheme.

The application of these amendments has had no effect on the Group's consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 9	Financial Instruments[1]
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsidiaries

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

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

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

b) rights arising from other contractual arrangements; and

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

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Business combinations and goodwill

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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

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

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

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

Impairment of non-financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

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

Related parties

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

   i) has control or joint control of the Group;

   ii) has significant influence over the Group; or

   iii) is a member of the key management personnel of the Group or of a parent of the Group;

b) an entity is related to the Group if any of the following conditions applies:

   i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

   ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

   iii) both entities are joint ventures of the same third party;

   iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

   v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

   vi) the entity is controlled or jointly controlled by a person identified in (a);

   vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

   viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Group.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Buildings	20 to 45 years
Machinery	5 to 20 years
Leasehold improvements	The shorter of the lease terms and 6 years
Furniture, equipment and motor vehicles	5 to 10 years

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

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

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

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

Investment property

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment reporting

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

Leases

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

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

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

Financial assets

Initial recognition and measurement

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

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

The Group's financial assets include trade receivables, cash and cash equivalents and other receivables and deposits.

Subsequent measurement

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade payable, other payables and accruals, amounts due to the ultimate holding company, amount due to the immediate holding company, loans from the ultimate holding company, loans from the immediate holding company, interest-bearing bank and other loans, and liability portion of the convertible preferred shares (the "**Titan preferred shares**").

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Subsequent measurement

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

Loans and borrowings

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

Derecognition of financial liabilities

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

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

Titan preferred shares

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

The remainder of the proceeds is allocated to the equity component of the Titan preferred shares. The carrying amount of the conversion option is not remeasured in subsequent years. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

The transaction costs are apportioned between the liability and equity components of the Titan preferred shares based on the allocation of proceeds to the liability and equity components when the instruments were first recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

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

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

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

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

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

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

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

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

Revenue recognition

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

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

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

Share-based payment transactions

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

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

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

Borrowing costs

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

Foreign currencies

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent liabilities and contingent assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Income tax

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

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

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

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

Fair value of shares issued

For shares issued as part of consideration to extinguish fixed rate guaranteed senior notes, guaranteed senior convertible notes, guaranteed senior payment-in-kind notes, notes payable, their fair values could not be reliably measured as the Company's shares were still under suspension when the shares were issued. Accordingly, the fair value of the liabilities extinguished were used to measure the shares issued as consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Impairment of loans and receivables

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

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

Useful lives and residual values of property, plant and equipment

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

Net realisable value of inventories

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

Fair value measurements and valuation processes

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

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and are principally engaged in (a) shipbuilding and ship repairing; and (b) trading of oil products.

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices. There were no intersegment sales in the current year (2015: HK$Nil).

Year ended 31 December 2016

	Trading of oil products HK$'000	Shipbuilding and ship repairing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment revenue				
— Revenue from external customers	760,921	—	—	760,921
Segment results	5,510	(37,071)	—	(31,561)
Adjusted for:				
— interest income	—	—	80	80
— other income	—	—	8,168	8,168
— other gain	—	—	(45,737)	(45,737)
— other expenses	—	—	(66,537)	(66,537)
	5,510	(37,071)	(104,026)	(135,587)
Add: depreciation and amortisation	171	51,157	721	52,049
Operating profit before interest, tax, depreciation and amortisation	5,681	14,086	(103,305)	(83,538)
Gain arising on change in fair value of investment property	—	—	27,159	27,159
Gain arising on change in fair value of preferred shares	—	—	70,424	70,424
Gain on restructuring	—	—	1,542,091	1,542,091
Gain on settlement of amount due to a deconsolidated subsidiary	—	—	324,209	324,209
Derecognition of amount due to deconsolidated subsidiaries	—	—	141,560	141,560
Derecognition of amount due to a deconsolidated jointly-controlled entity	—	—	98,953	98,953
Profit before interest, tax, depreciation and amortisation	5,681	14,086	2,101,091	2,120,858
Depreciation and amortisation	(171)	(51,157)	(721)	(52,049)
Finance costs	—	(150,266)	(23,171)	(173,437)
Profit/(loss) before tax	5,510	(187,337)	2,077,199	1,895,372

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2015 (Re-presented)

	Trading of oil products HK$'000	Shipbuilding HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment revenue				
— Revenue from external customers	—	—	—	—
Segment results	(69)	(65,524)	—	(65,593)
Adjusted for:				
— interest income	—	—	28	28
— other income	—	—	33	33
— other gain	—	—	54,910	54,910
— other expenses	—	—	(63,597)	(63,597)
	(69)	(65,524)	(8,626)	(74,219)
Add: depreciation and amortisation	—	55,838	982	56,820
Operating loss before interest, tax, depreciation and amortisation ("**LBITDA**")	(69)	(9,686)	(7,644)	(17,399)
Loss arising on change in fair value of investment property	—	—	(505)	(505)
LBITDA	(69)	(9,686)	(8,149)	(17,904)
Depreciation and amortisation	—	(55,838)	(982)	(56,820)
Finance costs	—	(145,501)	(22,911)	(168,412)
Loss before tax	(69)	(211,025)	(32,042)	(243,136)

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

	Mainland China		Other Asia Pacific countries		Consolidated	
	2016 HK$'000	2015 HK$'000 (Re-presented)	**2016 HK$'000**	2015 HK$'000 (Re-presented)	**2016 HK$'000**	2015 HK$'000 (Re-presented)
a) Revenue						
Revenue from external customers	**—**	—	**760,921**	—	**760,921**	—
b) Other information						
Segment assets	**2,688,694**	2,816,998	**479,560**	180,454	**3,168,254**	2,997,452
Segment liabilities	**2,435,837**	3,192,033	**635,188**	3,854,477	**3,071,025**	7,046,510
Capital expenditures	**817**	—	**14**	54	**831**	54
c) Non-current assets	**2,566,508**	2,750,439	**764**	1,251	**2,567,272**	2,751,690

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

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2016 HK$'000	2015 HK$'000
Customer A	**479,479**	—
Customer B	**281,442**	—

5. REPRESENTATION OF COMPARATIVE FIGURES

Shipbuilding — Titan Quanzhou Shipyard Co., Ltd. ("Titan Quanzhou Shipyard" or "TQS")

On 11 December 2010, the Company entered into a sale and purchase agreement with Grand China Logistics Holding (Group) Company Limited ("**Grand China Logistics**") (the "**GCL Sale and Purchase Agreement**") in relation to the disposal of its 95% equity interest in Titan Quanzhou Shipyard at a consideration of RMB1,865,670,000 (equivalent to approximately HK$2,097,769,000) or a maximum reduced consideration of RMB1,465,670,000 (equivalent to approximately HK$1,648,007,000) 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$1,872,888,000).

However, only RMB740,000,000 was received from Grand China Logistics in connection with the GCL Sale and Purchase Agreement and, accordingly the equity interests in Titan Quanzhou Shipyard have not yet been transferred to Grand China Logistics.

On 30 May 2012, Grand China Logistics commenced legal proceedings against the Company, Titan TQSL Holding Company Ltd ("**Titan TQSL**" or "**TQSL Holding**") and Titan Petrochemicals (Fujian) Ltd ("**Titan Fujian**") 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$832,060,000) 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 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 proceedings.

On 5 May 2014, the Company, Titan Fujian 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, 16 October 2015 and 29 April 2016) (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 Titan Fujian and TQSL Holding, the Company would issue 9,382,164,000 new ordinary shares of the Company (the "**Shares**") at the issue price of HK$0.10 to GZE.

The Shipyard Termination Agreement will only be effective upon the satisfaction of certain conditions.

As disclosed in the Company's announcements dated 28 May 2015, 7 August 2015 and 5 November 2015, 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.

5. REPRESENTATION OF COMPARATIVE FIGURES (CONTINUED)

Shipbuilding — Titan Quanzhou Shipyard Co., Ltd. ("Titan Quanzhou Shipyard" or "TQS") (Continued)

The Shipyard Termination Agreement became effective on 24 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 "non-current asset held for sales" after completion of the Restructuring during the year.

In accordance with the requirement set out in HKFRS 5, the carrying amount of non-current assets that ceased to be classified as held for sale have been adjusted and reallocated to the corresponding line items presented in the consolidated statement of financial position of the Group accordingly.

As at 31 December 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 year ended 31 December 2016 are consolidated and presented in the consolidated statement of profit or loss.

6. REVENUE AND OTHER INCOME

(a) Revenue

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

	2016 HK$'000	2015 HK$'000 (Re-presented)
Sales of goods	760,921	—

(b) Other Income

	2016 HK$'000	2015 HK$'000 (Re-presented)
Rental income	1,182	—
Bank interest income	80	28
Sundry income	153	53
	1,415	81

7. OTHER GAIN OR LOSS

	2016 HK$'000	2015 HK$'000 (Re-presented)
Gain on restructuring (note a)	**1,542,091**	—
Gain on settlement of amount due to a deconsolidated subsidiary (note b)	**324,209**	—
Gain on fair value change of preferred shares (note 28)	**70,424**	—
Fair value change of investment property	**27,159**	(505)
Derecognition of amount due to deconsolidated subsidiaries	**141,560**	—
Derecognition of amount due to deconsolidated jointly-controlled entity	**98,953**	—
Derecognition of other payables and accruals	**39,145**	—
Reversal of overprovision of legal fee	**23,400**	—
Exchange difference	**(45,737)**	66,452
	2,221,204	65,947

Notes:

(a) Gain on restructuring include the following:

	2016 HK$'000	2015 HK$'000 (Re-presented)
Gain on settlement of fixed rate guaranteed senior notes ("**The Senior Notes Due 2012**"), guaranteed senior convertible notes ("**Convertible Notes Due 2015**"), guaranteed senior payment-in-kind notes ("**PIK Notes Due 2015**") (note (i))	**1,020,839**	—
Gain on settlement on notes payable (note (ii))	**182,606**	—
Gain on settlement of non-note creditors (note (iii))	**338,646**	—
Gain on restructuring	**1,542,091**	—

(i) The Senior Notes Due 2012 (note 24), Convertible Notes Due 2015 (note 25) and PIK Notes Due 2015 (note 26) are collectively defined as "Notes".

Pursuant to a Bermuda scheme of arrangement (the "**Scheme of Arrangement**"), all liabilities of the Company owed in respect of the 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 accepted liability or accepted portion of claims arising under the 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 Notes constituting the informal creditors' committee entered into an agreement, pursuant to which those creditors agreed that their claims under the 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.

7. OTHER GAIN OR LOSS (CONTINUED)

Notes: (Continued)

(i) (Continued)

On 22 October 2014, separate meetings of 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 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), have voted in favour of the Creditors' Scheme. Accordingly, the Creditors' Scheme was duly approved at the Scheme Meetings. Further details in respect of the above are included in the Company's announcement dated 22 October 2014.

On 5 November 2014 (Bermuda time), the Creditors' Scheme was sanctioned by the Bermuda Court. 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 details in respect of above contracts are included in its circular on 13 May 2016. The Notes was fully settled at the same date. The Company has recognised a gain on restructuring of approximately HK$1,020,839,000 for the year ended 31 December 2016.

7. OTHER GAIN OR LOSS (CONTINUED)

Notes: (Continued)

(ii) On 17 April 2014, Kawasaki Kisen Kaisha, Ltd ("**K-Line**"), Titan Shipyard Holdings Limited ("**Shipyard Holdings**") and the Company entered into a support agreement, pursuant to which K-Line agreed to support the debt restructuring and the Creditors' Scheme and agreed to effect the compromise of its claims in respect of the K-Line Notes Due 2013 (Note 27) 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$0.1 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 settlement of HK$182,606,000 for the year ended 31 December 2016.

(iii) Pursuant to the creditors' scheme, the non-note creditors will be compromised and released on the release date in exchange for the receipt of scheme consideration in the form of US$0.1 in cash for every US$1 of the amount of their accepted claim. The non-note creditors was fully settled at 24 June 2016. The Company has recognised a gain on settlement of HK$338,646,000 for the year ended 31 December 2016.

(b) The sanctioned scheme of arrangement entered into between a subsidiary of the Company and the scheme creditors pursuant to section 179A of the BVI Business Companies Act, 2004 was completed during the year and a gain of approximately HK$324,209,000 was recognised for the year ended 31 December 2016.

8. FINANCE COSTS

	2016 **HK$'000**	2015 HK$'000 (Re-presented)
Interest on:		
Bank and other loans	**24,021**	25,159
Loans from the immediate holding company	**1,750**	1,983
Loans from the ultimate holding company	**133,058**	126,662
Interest on the Titan preferred shares	**14,608**	14,608
Total interest expense	**173,437**	168,412

9. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after (crediting)/charging:

	2016 HK$'000	2015 HK$'000 (Re-presented)
Employee benefits expenses (excluding directors' remuneration):		
Wages and salaries	**14,104**	13,779
Pension scheme contributions	**3,907**	1,896
	18,011	15,675
Depreciation	**45,080**	49,708
Amortisation of prepaid land/seabed lease payment	**6,969**	7,112
Minimum lease payments under operating leases:		
leasehold buildings	**5,282**	4,721
Auditors' remuneration	**878**	1,192
Foreign exchange differences, net	**45,737**	(66,452)
Written off of prepayments, deposits and other receivables	**30,724**	—
Bank interest income	**(80)**	(28)

10. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, Section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is detailed as follows:

	2016 HK$'000	2015 HK$'000 (Re-presented)
Fees	**1,028**	1,186
Other emoluments:		
Salaries, allowances and benefits-in-kind	**6,777**	8,134
Pension scheme contributions	**36**	69
	6,813	8,203
	7,841	9,389

10. DIRECTORS' EMOLUMENTS (CONTINUED)

During the years ended 31 December 2016 and 2015, no emoluments have been paid by the Group to any of the directors as an inducement to join or upon joining the Group as compensation for loss of office.

The emoluments of the Directors for the year ended 31 December 2016 are set out below.

	Fees HK$'000	Salaries, allowances and benefits-in-kind HK$'000	Pension scheme contributions HK$'000	Total emoluments HK$'000
Executive directors:				
Dr. Zhang Weibing	—	3,894	18	3,912
Mr. Tang Chao Zhang	—	2,555	18	2,573
Dr. Liu Liming (appointed on 15 July 2016)	—	191	—	191
Non-executive directors:				
Mr. Fan Qinghua (resigned on 23 September 2016)	247	52	—	299
Mr. Hu Hongwei (re-designated on 13 December 2016)	19	—	—	19
Independent non-executive directors:				
Mr. Lau Fai Lawrence	240	30	—	270
Ms. Xiang Siying	223	28	—	251
Dr. Han Jun (appointed on 13 December 2016)	10	—	—	10
Ms. Hsu Wai Man Helen (resigned on 30 May 2016)	83	—	—	83
Mr. Hu Hongwei (re-designated on 13 December 2016)	206	27	—	233
Total	1,028	6,777	36	7,841

10. DIRECTORS' EMOLUMENTS (CONTINUED)

The emoluments of the Directors for the year ended 31 December 2015 are set out below.

	Fees HK$'000	Salaries, allowances and benefits-in-kind HK$'000	Pension scheme contributions HK$'000	Total emoluments HK$'000
Executive directors:				
Mr. Tang Chao Zhang	—	1,200	18	1,218
Dr. Zhang Weibing (appointed on 23 July 2015)	—	799	9	808
Mr. Zhao Xu Guang (resigned on 16 September 2015)	—	2,736	14	2,750
Mr. Wong Siu Hung Patrick (resigned on 30 September 2015)	—	2,568	14	2,582
Mr. Fu Yong Yuan (resigned on 30 September 2015)	—	831	14	845
Non-executive directors:				
Mr. Fan Qinghua	250	—	—	250
Mr. Hu Zhong Shan (redesignated on 30 September 2015)	188	—	—	188
Independent non-executive directors:				
Mr. Lau Fai Lawrence	240	—	—	240
Ms. Xiang Siying (appointed on 23 July 2015)	98	—	—	98
Mr. Hu Hongwei (appointed on 11 November 2015)	28	—	—	28
Ms. Hsu Wai Man Helen (appointed on 18 December 2015)	8	—	—	8
Mr. Foo Meng Kee (resigned on 30 September 2015)	195	—	—	195
Mr. Cheung Hok Fung Alexander (resigned on 21 March 2015)	53	—	—	53
Mr. Lau Yiu Kit (appointed on 23 March 2015 and resigned on 30 September 2015)	126	—	—	126
Total	1,186	8,134	69	9,389

10. DIRECTORS' EMOLUMENTS (CONTINUED)

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2015: Nil).

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

Salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2015: five) directors, details of whose remuneration is disclosed in note 10 above. Details of the remuneration of the remaining three (2015: Nil) non-director, highest paid employee who is neither a director or senior management of the Company for the year ended 31 December 2016 are as follows.

	2016 **HK$'000**	2015 HK$'000
Salaries, allowances and benefits-in-kind	**2,448**	—
Pension scheme contributions	**35**	—
	2,483	—

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

	Number of employees	
	2016	2015
HK$1,500,001 to HK$2,000,000	**1**	—
HK$500,001 to HK$1,000,000	**1**	—
HK$1 to HK$500,000	**1**	—
	3	—

During the years ended 31 December 2016 and 2015, no emoluments have been paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group as compensation for loss of office.

12. INCOME TAX (EXPENSE)/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%
Mainland China	**25.0%**	25.0%

Hong Kong

No provision for Hong Kong profits tax has been made as the Group's subsidiaries operated in Hong Kong did not generate any assessable profits in Hong Kong for the year ended 31 December 2016 and 2015.

Singapore

No provision for taxation has been made as the subsidiaries in Singapore did not generate any assessable profit for the year ended 31 December 2016 and 2015.

Mainland China

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Regulation in the Implementation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

	Notes	**2016 HK$'000**	2015 HK$'000 (Re-presented)
Current tax:			
Overprovision in prior periods — Hong Kong		**7**	—
Deferred taxation	31	**(5,560)**	1,355
		(5,553)	1,355

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

	2016 HK$'000	2015 HK$'000 (Re-presented)
Profit/(loss) before tax	**1,895,372**	(243,136)
Tax at the statutory tax rates	**309,513**	(58,686)
Adjustments in respect of current tax of previous periods	**(7)**	—
Temporary difference not recognised	**19**	—
Unrecognised tax losses	**14**	—
Income not subject to tax	**(378,734)**	(11,962)
Expenses not deductible for tax	**74,748**	69,293
Income tax expense/(credit)	**5,553**	(1,355)

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

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

	2016 HK$'000	2015 HK$'000 (Re-presented)
Earnings/(Loss)		
Earnings/(Loss) for the purpose of basic earnings/(loss) per share:		
Earnings/(Loss) for the year attributable to owners of the Company	1,889,840	(241,781)
Effect of diluted potential ordinary shares:		
Interest on Titan preferred shares (Note)	14,608	—
Earnings/(Loss) for the purpose of diluted earnings/(loss) per share	1,904,448	(241,781)

	Number of shares	
	2016	2015
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	19,348,548,183	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	19,903,548,183	7,820,554,682

Note:

No adjustment have been made to the basic loss per Share amounts presented for the year ended 31 December 2015 as the Titan preferred shares outstanding had an anti-dilutive effect on the basic loss per Share amounts presented.

No diluted earnings per share for the year ended 31 December 2016 has been presented as the exercise price of the share options outstanding during the year was higher than the average market price of the Company's shares for the year ended 31 December 2016.

No diluted loss per share for the year ended 31 December 2015 has been presented as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year ended 31 December 2015.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Buildings	Machinery	Furniture, equipment and motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST:						
At 1 January 2015 (Re-presented)	3,277	652,671	272,199	43,951	2,296,190	3,268,288
Addition	—	—	—	54	—	54
Exchange realignment	—	(37,650)	(15,691)	(2,172)	(131,851)	(187,364)
At 31 December 2015 and 1 January 2016 (Re-presented)	3,277	615,021	256,508	41,833	2,164,339	3,080,978
Addition	—	—	—	831	—	831
Exchange realignment	—	(39,312)	(16,383)	(2,307)	(137,119)	(195,121)
At 31 December 2016	3,277	575,709	240,125	40,357	2,027,220	2,886,688
ACCUMULATED DEPRECIATION AND IMPAIRMENTS:						
At 1 January 2015 (Re-presented)	3,127	106,474	153,540	39,530	473,792	776,463
Provided for the year	58	18,549	29,766	1,335	—	49,708
Exchange realignment	—	(7,054)	(10,311)	(2,050)	(27,332)	(46,747)
At 31 December 2015 and 1 January 2016 (Re-presented)	3,185	117,969	172,995	38,815	446,460	779,424
Provided for the year	20	17,338	26,691	1,031	—	45,080
Exchange realignment	—	(8,369)	(12,322)	(2,176)	(28,537)	(51,404)
At 31 December 2016	3,205	126,938	187,364	37,670	417,923	773,100
NET CARRYING AMOUNT:						
At 31 December 2016	72	448,771	52,761	2,687	1,609,297	2,113,588
At 31 December 2015 (Re-presented)	92	497,052	83,513	3,018	1,717,879	2,301,554

Note:

At 31 December 2016, the Group's construction in progress, buildings and machinery with net carrying values of HK$735,101,000 (2015: HK$785,296,000), HK$393,245,000 (2015: HK$435,246,000) and HK$52,761,000 (2015: HK$83,513,000), respectively, were pledged to certain bank and other loans and loans from the ultimate holding company granted to the Group.

15. PREPAID LAND/SEABED LEASE PAYMENTS

	2016 HK$'000	2015 HK$'000 (Re-presented)
At 1 January	**293,982**	306,345
Amortisation provided	**(6,969)**	(7,112)
Exchange realignment	**(5,363)**	(5,251)
At 31 December	**281,650**	293,982

Note:

Prepaid land/seabed lease payments represent outlays in respect of the acquisition of land/seabed use rights that are accounted for as operating leases. These land/seabed lease payments are held on a long term basis and are situated in Mainland China. At 31 December 2016, the prepaid land/seabed lease payments with an aggregate net carrying value of HK$244,092,000 (2015: HK$254,811,000) were pledged to certain bank and other loans and loans from the ultimate holding company granted to the Group.

16. INVESTMENT PROPERTY

	2016 HK$'000	2015 HK$'000 (Re-presented)
FAIR VALUE		
At 1 January	**156,154**	166,223
Gain/(Loss) arising on change in fair value of investment property	**27,159**	(505)
Exchange realignment	**(11,279)**	(9,564)
At 31 December	**172,034**	156,154

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.

At 31 December 2016, the investment property under the consolidated statement of financial position with an aggregate net carrying value of HK$172,034,000 (2015: HK$156,154,000) were pledged to secure the interest-bearing bank and other loans granted to the Group.

The fair value of the investment property is determined at the end of each reporting period based on its market value and by adopting direct comparison method. Direct comparison method assumes the property is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets. The fair values of the Group's investment property as at 31 December 2016 have been arrived at on the basis of a valuation carried out on the respective dates by Sino-Infinite Appraisal Limited (2015: Access Partner Consultancy & Appraisal Limited), an independent qualified valuer not connected to the Group. The investment property located in Mainland China with medium term lease categorised as Level 2 fair value measurement was determined by making reference to the comparable market transactions/asking prices as available in the relevant markets where appropriate. There were no transfer among Level 1, Level 2 and Level 3.

16. INVESTMENT PROPERTY (CONTINUED)

The valuation report for the property as at 31 December 2016 was performed by Sino-Infinite Appraisal Limited, who is the member of The Hong Kong Institute of Surveyors. The valuation was performed in accordance with "**The HKIS Valuation Standards 2012 Edition**" published by The Hong Kong Institute of Surveyors.

17. INVENTORIES

	2016 **HK$'000**	2015 HK$'000 (Re-presented)
Supplies for shipbuilding	**39,363**	42,053

18. TRADE RECEIVABLES

	2016 **HK$'000**	2015 HK$'000 (Re-presented)
Trade receivables	**210,879**	1,616
Accumulated impairment loss	**(1,605)**	(1,616)
	209,274	—

An aged analysis of trade receivables as at the end of the reporting period, based on invoice date, is as follows:

	2016 **HK$'000**	2015 HK$'000 (Re-presented)
Aging		
0–90 days	**209,274**	—

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.

18. TRADE RECEIVABLES (CONTINUED)

Included in the above impairment of trade receivables is a provision for individually impaired trade receivables of HK$1,605,000 (2015: HK$1,616,000). The Group does not hold any collateral or other credit enhancements over these balances.

None of the receivables were past due but not impaired.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 **HK$'000**	2015 HK$'000 (Re-presented)
Receivables from the liquidator of Titan Group Investment Limited ("**TGIL**")	**17,227**	103,360
Receivable — Escrow account	**—**	34,452
Prepayment of expenses	**76,089**	24,669
Deposits	**1,317**	1,220
Others	**—**	3,472
	94,633	167,173

20. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2016 **HK$'000**	2015 HK$'000 (Re-presented)
Cash and bank balances	**257,712**	9,989
Restricted cash	**—**	26,547
	257,712	36,536
Less: Restricted cash:		
Bank balances	**—**	(19)
Time deposit	**—**	(26,528)
	—	(26,547)
Cash and cash equivalents	**257,712**	9,989

At 31 December 2016, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to HK$91,742,000 (2015: HK$999,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are usually made for one week, and earn interest at the market short term time deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent default history.

21. INTEREST-BEARING BANK AND OTHER LOANS

	2016 Effective Interest Rate (%)	2016 HK$'000	2015 Effective Interest Rate (%) (Re-presented)	2015 HK$'000 (Re-presented)
Current				
Bank and other loans (unsecured)	**NA**	**—**	0.00	5,850
Non-current				
Other loans (secured)	**8.14**	**153,498**	9.56	163,979
Other loans (unsecured)	**1.36–8.14**	**236,522**	9.56	86,354
		390,020		256,183

	2016 HK$'000	2015 HK$'000 (Re-presented)
Interest-bearing bank and other loans payables:		
Within one year	**—**	5,850
In the second to five years, inclusive	**254,808**	125,167
After five years	**135,212**	125,166
	390,020	256,183

The Group's interest-bearing bank and other loans are secured by:

i) investment property with an aggregate carrying value of HK$172,034,000 (2015: HK$156,154,000).

ii) buildings with an aggregate net carrying value of HK$47,603,000 (2015: HK$52,795,000); and

iii) prepaid land/seabed lease payments with an aggregate net carrying value of HK$8,090,000 (2015: HK$8,673,000);

22. TRADE PAYABLES

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

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

	2016 HK$'000	2015 HK$'000 (Re-presented)
0–90 days	**183,291**	703
91–180 days	**61**	360
181–365 days	**—**	2,739
Over one year	**—**	302,735
	183,352	306,537

23. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000 (Re-presented)
Amounts due to deconsolidated subsidiaries	**—**	489,178
Amounts due to a deconsolidated jointly-controlled entity	**59,735**	164,606
Financial guarantee contracts	**—**	113,155
Receipt in advance	**86,074**	30,711
Accrual of expenses	**2,372**	21,542
Others	**39,819**	318,817
	188,000	1,138,009

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

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

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

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

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 TGIL convertible preferred shares (the "**TGIL preferred shares**") and caused the TGIL warrants issued to Saturn Storage Limited ("**SSL**") to become exercisable.

Pursuant to the Creditors' Scheme, all liabilities of the Company owed in respect of The Senior Notes Due 2012 had been compromised and discharged in exchange for payment of scheme consideration, detail of which were disclosed in note 7(a)(i).

25. 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 remained undismissed or unstayed for a period of 60 consecutive days.

Pursuant to the Creditors' Scheme, all liabilities of the Company owed in respect of the Convertible Notes Due 2015 had been compromised and discharged in exchange for payment of scheme consideration, detail of which were disclosed in note 7(a)(i).

26. 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 remained undismissed or unstayed for a period of 60 consecutive days.

Pursuant to the Creditors' Scheme, all liabilities of the Company owed in respect of The PIK Notes Due 2015 had been compromised and discharged in exchange for payment of scheme consideration, detail of which were disclosed in note 7(a)(i).

27. 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$Nil (2014: HK$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.

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.

Pursuant to the Creditors' Scheme, all liabilities of the Company owed in respect of The K-Line Notes Due 2013 had been compromised and discharged in exchange for payment of scheme consideration, detail of which were disclosed in note 7(a)(ii).

28. CONVERTIBLE PREFERRED SHARES

	Liability portion HK$'000
Titan preferred shares	
At 1 January 2015	420,717
Add: Interest on Titan preferred shares	14,608
At 31 December 2015 and 1 January 2016	**435,325**
Add: Interest on Titan preferred shares	**14,608**
Gain arising on change in fair value of preferred shares	**(70,424)**
At 31 December 2016	**379,509**

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

On 4 July 2012, the Company received from SPHL a notice to redeem all of the 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.

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, 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 and 5 November 2015, on 28 May 2015, 30 July 2015 and 16 October 2015, 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. A gain on fair value change of approximately HK$70,424,000 were recognised for the year ended 31 December 2016.

29. AMOUNTS DUE TO THE ULTIMATE/IMMEDIATE HOLDING COMPANY

Amounts due to the ultimate/immediate holding company was unsecured, interest-free and repayment on demand.

30. LOANS FROM THE ULTIMATE/IMMEDIATE HOLDING COMPANY

	2016		2015	
	Effective Interest Rate (%)	**HK$'000**	Effective Interest Rate (%)	HK$'000
			(Re-presented)	
Current				
Unsecured loans				
— Immediate holding company (note b)	**N/A**	**—**	2.0	3,000
Secured loan				
— Ultimate holding company (note c)	**7.19**	**85,834**	N/A	—
		85,834		3,000
Non-current				
Unsecured loans				
— Ultimate holding company (note a)	**N/A**	**—**	3.40–6.24	102,471
— Immediate holding company (note b)	**N/A**	**—**	2.00	140,240
Secured loan				
— Ultimate holding company (note c)	**7.19**	**1,630,842**	6.24	1,833,896
		1,630,842		2,076,607

	2016 HK$'000	2015 HK$'000 (Re-presented)
Loans repayable:		
Within one year or repayable on demand	**85,834**	3,000
In the second to fifth years, inclusive	**343,335**	2,057,328
After five years	**1,287,507**	19,279
	1,716,676	2,079,607

30. LOANS FROM THE ULTIMATE/IMMEDIATE HOLDING COMPANY (CONTINUED)

Notes:

a) The loans from the ultimate holding company denominated in RMB with the amount of RMBNil (2015: RMB85,308,000 (equivalent to approximately HK$102,471,000)) are unsecured, repayable beyond one year and carry an interest rate at basic lending rate of the People's Bank of China under same period and same grade per annum.

b) i) On 12 March 2013, the Company entered into a loan agreement with Fame Dragon pursuant to which Fame Dragon agreed to provide interim financing on request of the Company of up to approximately HK$62,240,000 at an interest rate of 2% per annum payable on maturity (the "**First Loan Agreement**"), subject to the dismissal, stay or adjournment of the hearing of the SPHL Petition and the application of provisional liquidators, in order to allow time for the Company to implement the debt restructuring proposal. Details of the above was set out in the Company's announcement dated 15 March 2013.

However, certain events of default occurred under the First Loan Agreement, most notably the appointment of Mr. Garth Calow and Ms. Alison Tomb as the JPLs of the Company with limited powers on 18 October 2013 (Bermuda time). Accordingly, the loans from the immediate holding company under the First Loan Agreement of HK$3,000,000 were then presented as current liabilities as at 31 December 2015.

ii) On 13 March 2014, the Company entered into a loan agreement with Fame Dragon pursuant to which Fame Dragon agreed to provide an interim financing on request of the Company of up to approximately HK$62,240,000 at an interest rate of 2% per annum payable on maturity (the "**2014 Loan Agreement**") subject to certain conditions precedent being satisfied. Details of the 2014 Loan Agreement were set out in the Company's announcement dated 11 March 2014. As at 31 December 2016, the loans from the immediate holding company under the 2014 Loan Agreement of HK$Nil (31 December 2015: HK$62,240,000) were repayable beyond one year.

iii) On 27 February 2015, the Company entered into another loan agreement with Fame Dragon in relation to the provision of an uncommitted term loan of US$10,000,000 at an interest rate of 2% per annum by Fame Dragon to the Company (the "**2015 Loan Agreement**"). On 15 January 2016, the Company entered into the amendment and supplement with Fame Dragon to the provision of an uncommitted term loan of US$15,000,000. As at 31 December 2016, the loans from the immediate holding company under the 2015 Loan Agreement of HK$Nil (31 December 2015: HK$78,000,000) were repayable beyond one year.

c) The loans from the ultimate holding company denominated in RMB with the amount of RMB76,337,000 (equivalent to approximately HK$85,834,000) and RMB1,450,405,000 (equivalent to approximately HK$1,630,842,000) (2015: RMB1,526,742,000 (equivalent to approximately HK$1,833,896,000)) are repayable within one year and beyond one year respectively and carry an interest rate at the basic lending rate of the People's Bank of China per annum, and are secured by:

i) construction in progress with an aggregate carrying value of HK$735,101,000 (2015: HK$785,296,000);

ii) prepaid land/seabed lease payments with an aggregate net carrying value of HK$236,002,000 (2015: HK$246,138,000);

iii) buildings with an aggregate net carrying value of HK$345,642,000 (2015: HK$382,451,000); and

iv) machinery with an aggregate net carrying value of HK$52,761,000 (2015: HK$83,513,000).

31. DEFERRED TAX LIABILITIES

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

	Notes	Investment property 2016 HK$'000	Investment property 2015 HK$'000 (Re-presented)
At 1 January		**90,006**	93,324
Deferred tax credited to the consolidated statement of profit or loss	12	**5,560**	(1,355)
Exchange realignment		**(2,371)**	(1,963)
At 31 December		**93,195**	90,006

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

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

At 31 December 2016 and 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is unlikely that these subsidiaries will distribute such earnings in the foreseeable future. At 31 December 2016 and 2015, there were no significant unrecognised deferred tax liabilities for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group had no material liabilities for additional taxes should such amounts be remitted.

At 31 December 2016, the Group has unused tax losses of HK$298,995,000 (2015: HK$366,424,000), available for offset against future profits. Among such, HK$33,795,000 (2015: HK$33,795,000) may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

32. SHARE CAPITAL

		2016		2015	
	Notes	Number of shares	Nominal value of shares HK$'000	Number of shares	Nominal value of shares HK$'000
Authorised:					
Ordinary shares of HK$0.01 each at 31 December (Note a)		80,000,000,000	800,000	80,000,000,000	800,000
Convertible preferred shares of HK$0.01 each at 31 December	28	555,000,000	5,550	555,000,000	5,550
Issued and fully paid:					
Ordinary shares of HK$0.01 each					
As at 1 January 2016/2015		7,820,554,682	78,206	7,820,554,682	78,206
Open offer (note b)		2,606,851,560	26,068	—	—
Placing (note c)		2,600,000,000	26,000	—	—
Consideration issue (note d)		14,000,000	140	—	—
Shipyard Termination Shares (note e)		9,382,164,000	93,822	—	—
Assumption Consideration Shares (note f)		3,595,420,415	35,954	—	—
New Shares under the Creditors' Scheme (note g)		1,920,886,282	19,209	—	—
New Shares under Debt Rescheduling Agreement; the Interim Financing Agreement and the Working Capital Loan Agreement (note h)		2,687,410,831	26,874	—	—
As at 31 December		30,627,287,770	306,273	7,820,554,682	78,206
Convertible preferred shares of HK$0.01 each at 31 December		555,000,000	5,550	555,000,000	5,550

Notes:

a) 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.

b) On 30 June 2016, the Company issued offer shares on the basis of one offer share for every three existing shares held on 7 June 2016, at the subscription price of HK$0.1 per offer share.

c) On 30 June 2016, the Company issued 2,600 million new shares at subscription price of HK$0.1 per share.

32. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

d) On 30 June 2016, the Company issued 14 million consideration shares at HK$0.1 each to settle the professional fees.

e) On 30 June 2016, the Company issued 9,382,164,000 new shares at HK$0.1 each, to repay the consideration received in respect of the terminated shipyard sale and purchase agreement.

f) On 30 June 2016, the Company issued 3,595,420,415 new shares at HK$0.1 each, to settle certain account payables and other payable which was assumed by the immediate holding company of the Company.

g) On 30 June 2016, pursuant to the creditor's scheme, the Company issued 1,920,886,282 shares at HK$0.1 each, to settle the liabilities owed to the existing notes creditors.

h) On 30 June 2016, pursuant to the certain debt rescheduling agreements, the Company issued 2,687,410,831 shares at HK$0.1 each, to repay the interest accrued from the loan from the ultimate holding company.

i) During the years ended 31 December 2016 and 2015, none of the Convertible Notes Due 2015 were converted into ordinary shares.

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

33. RESERVES

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.

33. RESERVES (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.

34. FINANCIAL GUARANTEE CONTRACTS

At 31 December 2015, the carrying value of financial guarantee contracts arising from financial guarantees granted by the Company to (i) a bank for a loan to a subsidiary of the Group, (ii) shipowners for charter hire expenses of a subsidiary of the Group which was put into liquidation in 2014 and (iii) the K-Line Notes Due 2013, aggregated amounted to HK$321,996,000. During the year ended 31 December 2014, TSL, a deconsolidated subsidiary of the Group, was placed into the liquidation. The Group had deconsolidated TSL as the Directors considered that the Group's control over TSL had been lost. Accordingly, the financial guarantees of HK$113,155,000 provided by the Company to TSL in respect of charter expenses of vessels were no longer considered as the guarantees to the subsidiary of the Group. It was recognised as financial guarantee contracts under "Other payables and accruals" in the consolidated statement of financial position as set out in note 23.

During the year ended 31 December 2016, the financial guarantees of HK$113,155,000 has been settled by way of Creditors Scheme as disclosed in Note 7(a)(iii).

35. 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.

35. SHARE OPTION SCHEME (CONTINUED)

a) Summary of the Schemes (Continued)

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.

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.

35. SHARE OPTION SCHEME (CONTINUED)

a) Summary of the Schemes (Continued)

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.

b) Share Option Movement

i) 2002 Share Option Scheme

The following table discloses movement of the Company's share options under the 2002 Share Option Scheme during the year ended 31 December 2016:

Name or category of participant	At 1 January 2016	Granted during the year	Lapsed during the year	Exercised during the year	Adjustment as a result of Open Offer	At 31 December 2016	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$
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	—	—	—	585,312	3,945,312	1 February 2008	1 February 2012 to 31 January 2017	0.3832
	3,840,000	—	—	—	668,928	4,508,928	1 February 2008	1 February 2013 to 31 January 2018	0.3832
	9,880,000	—	(2,680,000)	—	1,254,240	8,454,240			

35. SHARE OPTION SCHEME (CONTINUED)

b) Share Option Movement (Continued)

i) 2002 Share Option Scheme (Continued)

The following table discloses movement of the Company's share options under the 2002 Share Option Scheme during the year ended 31 December 2015:

Name or category of participant	At 1 January 2015	Granted during the year	Lapsed during the year	Exercised during the year	At 31 December 2015	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$
	Number of share option							
Director								
Mr. Wong Siu Hung Patrick (resigned on 30 September 2015)	10,000,000	—	(10,000,000)	—	—	1 February 2008	1 February 2010 to 31 January 2015	0.45
	10,000,000	—	(10,000,000)	—	—	1 February 2008	1 February 2011 to 31 January 2016	0.45
	20,000,000	—	(20,000,000)	—	—			
Other employees								
In aggregate	450,000	—	(450,000)	—	—	1 February 2008	1 February 2010 to 31 January 2015	0.45
	5,070,000	—	(2,390,000)	—	2,680,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	5,100,000	—	(1,740,000)	—	3,360,000	1 February 2008	1 February 2012 to 31 January 2017	0.45
	5,620,000	—	(1,780,000)	—	3,840,000	1 February 2008	1 February 2013 to 31 January 2018	0.45
	16,240,000	—	(6,360,000)	—	9,880,000			
	36,240,000	—	(26,360,000)	—	9,880,000			

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

At the end of the reporting period, the Company had outstanding share options for the subscription of 8,454,240 ordinary shares under the 2002 Share Option Scheme. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 8,454,240 additional ordinary shares of the Company and additional share capital of HK$84,542 and share premium of HK$3,155,000 (before issue expenses).

ii) New Share Option Scheme

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

35. SHARE OPTION SCHEME (CONTINUED)

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

	2016		2015	
	Weighted average exercise price per share HK$	**Number of shares issuable under options**	Weighted average exercise price per share HK$	Number of shares issuable under options
At 1 January	**0.450**	**9,880,000**	0.450	36,240,000
Adjusted as a result of Open Offer	**—**	**1,254,240**	—	—
Lapsed	**0.450**	**(2,680,000)**	0.450	(26,360,000)
At 31 December	**0.3832**	**8,454,240**	0.450	9,880,000

None (2015: None) of the 8,454,240 outstanding options (2015: 9,880,000) has been exercised during the year ended 31 December 2016.

36. OPERATING LEASE ARRANGEMENTS

As lessee

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

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

	2016 HK$'000	2015 HK$'000
Office premise, warehouse and staff quarters		
Within one year	**4,282**	4,277
In the second to fifth years, inclusive	**6,097**	8,230
	10,379	12,507

37. COMMITMENTS

	2016 HK$'000	2015 HK$'000 (Re-presented)
Commitments for shipbuilding and ship repair facilities in Mainland China	**816,705**	817,928

38. CONTINGENT LIABILITIES

Proceedings in BVI

On 18 June 2012, the Company received from SSL two notices to exercise its redemption rights under 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 BVI (the "**BVI Court**") ordered (the "**Order**") the liquidation of TGIL and that Russell Crumpler of KPMG (BVI) Limited, Edward Middleton and Patrick Cowley of KPMG be appointed as joint and several liquidators of TGIL with standard powers under the BVI Insolvency Act 2003. The fourth liquidator, Stuart Mackellar of Zolfo Cooper (BVI) Limited, was appointed with limited powers.

On 18 July 2012 (BVI time), Titan Oil Storage Investment Limited ("**TOSIL**"), a wholly owned subsidiary of the Company and a shareholder of TGIL, filed a notice of appeal at the Court of Appeal of the Eastern Caribbean Supreme Court (the "**BVI Court of Appeal**") against the Order and applied for a stay of execution of the Order pending the determination of the appeal. The stay application was subsequently withdrawn. 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 BVI Court of 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.

38. CONTINGENT LIABILITIES (CONTINUED)

Proceedings in Hong Kong

(i) On 31 December 2015, Mr. Wong Siu Hung Patrick (the "**Plaintiff**") filed a claim in the Labour Tribunal in Hong Kong against TRML for the sum of HK$1,046,551.15 allegedly due to the termination of the employment contract between the Plaintiff and the TRML (the "**Claim**"). The Plaintiff was a former executive director of the Company. He resigned as an executive director of the Company and also ceased to act as the Company's authorised representative and the directors of the wholly-owned subsidiaries of the Company on 30 September 2015. The Claim was subsequently transferred to the Hong Kong High Court and the Company was joined as second defendant. Pursuant to the directions of Hong Kong High Court dated 13 April 2016, the Plaintiff filed and served the Statement of Claim on 25 April 2016, in which the Claim amount was revised to HK$1,069,251.28. On 17 June 2016, TRML and the Company filed and served the Defense to Hong Kong High Court. The case is under progress of exchanging all the relevant documents to the High Court by the Plaintiff and the Defendants.

(ii) On 7 December 2016, A. Plus Financial Press Limited, filed a claim in the High Court against the Company for the sum of HK$1,117,018.15 due to the dispute of printer's fees from September 2015 to July 2016. The Company has filed and served the Defense on 9 March 2017.

Proceedings in the PRC

Titan Quanzhou Shipyard Co., Ltd ("**TQS**"), as the second defendant, was claimed by Shanghai Pudong Development Bank Fuzhou Branch ("**SPDB**") in Xiamen Maritime Court for overdue bank loan by Guangdong Zhenrong Energy Limited. The council of TQS attend the Court hearing and defended that TQS was not the appropriate defendant for this claim by SPDB against GZE. The final judgment is awaited from the Court.

Amounts due to deconsolidated subsidiaries/jointly-controlled entity

In prior years, the Group had several liabilities due to the deconsolidated subsidiaries and jointly-controlled entity in which they were placed in liquidation. During the year ended 31 December 2016, a creditor scheme in respect of an amount due to one of the deconsolidated subsidiaries of approximately HK$333 million was successfully completed. Nevertheless, the liquidation for the remaining deconsolidated subsidiaries and jointly-controlled entity of approximately HK$141,560,000 and HK$98,953,000 due to them respectively are still in process. Derecognition of such contingent liabilities are subject to the completion of liquidation of the deconsolidated subsidiaries and the jointly-controlled entity or completion of the relevant creditors scheme if any. In the opinion of the directors, the liquidation for the jointly-controlled entity is expected to be completed in 2017.

39. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements and in the directors' report under heading of "Connected Transactions", the Group had the following material transactions with related parties during 2016 and 2015:

a) Transaction with ultimate/immediate holding company

	2016 HK$'000	2015 HK$'000 (Re-presented)
Loan from the ultimate holding company (note i)		
— Outstanding principal	**1,716,676**	1,936,367
— Interest for the year	**133,058**	126,662
Loan from the immediate holding company (note i)		
— Outstanding principal	**—**	143,240
— Interest for the year	**1,750**	1,983
Amount due to the ultimate holding company (note ii)	**69,053**	1,092,386
Amount due to the immediate holding company (note ii)	**—**	2,526

Notes:

(i) Terms and condition of loan from the ultimate/immediate holding company refer to note 30.

(ii) Amounts due to the ultimate/immediate holding company were unsecured, interest-free and repayment on demand.

b) Compensation of key management personnel of the Group

	2016 HK$'000	2015 HK$'000
Short term employee benefits	**7,805**	9,320
Post-employment benefits	**36**	69
Total compensation paid to key management personnel	**7,841**	9,389

40. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	Loans and receivables	
	2016 HK$'000	2015 HK$'000 (Re-presented)
Trade receivable	**209,274**	—
Financial assets included in deposits and other receivables	**18,544**	142,504
Restricted cash	**—**	26,547
Cash and cash equivalents	**257,712**	9,989
	485,530	179,040

Financial liabilities

	At amortised cost	
	2016 HK$'000	2015 HK$'000 (Re-presented)
Trade payables	**183,352**	306,537
Financial liabilities included in other payables and accruals	**188,000**	1,138,009
Other loans	**390,020**	256,183
Interest payables of other loans	**50,290**	29,288
Loans from the ultimate holding company	**1,716,676**	1,936,367
Loans from the immediate holding company	**—**	143,240
Amounts due to the ultimate holding company	**69,053**	1,092,386
Amount due to the immediate holding company	**—**	2,526
Fixed rate guaranteed senior notes	**—**	882,329
Guaranteed senior convertible notes	**—**	441,753
Guaranteed senior payment-in-kind notes	**—**	88,657
Liabilities portion of convertible preferred shares	**379,509**	435,325
Notes payable	**—**	202,896
	2,976,900	6,955,496

41. 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:

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)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise trade receivables, interest-bearing bank and other loans, trade payables, loans from the immediate holding company, loans from the ultimate holding company, amounts due to the ultimate holding company, amount due to the immediate holding company and cash and bank balances. The main purpose of these financial instruments is to raise and/or retain funds for the Group's operations. The Group has various other financial assets and liabilities such as deposits and other receivables and accounts payable, which arise directly from its operations.

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

Interest rate risks

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

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

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

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risks (Continued)

	Increase/ (decrease) in basis points	(Increase)/ decrease in loss before tax (decrease)/ increase in profit before tax
		HK$'000
2016		
RMB	**26**	**(658)**
RMB	**(26)**	**658**
2015		
RMB	26	(689)
RMB	(26)	689

Credit risks

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

The credit risks of the Group's other financial assets, which comprise cash and cash equivalents, restricted cash and deposits and other receivables, arise from default of the counterparty, with a maximum exposure equal to the carrying amounts of such instruments.

Apart from receivable from the liquidator of TGIL and escrow account, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Concentration of credit risk related to that the receivable from the liquidator of TGIL and escrow account did not exceed 5% of the Group's total assets at any time during the year.

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

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risks

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

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

	Weighted average effective interest rate		On demand or within one year		Over one year		Total		Total carrying amount	
	2016 %	2015 % (Re-presented)	2016 HK$'000	2015 HK$'000 (Re-presented)	2016 HK$'000	2015 HK$'000 (Re-presented)	2016 HK$'000	2015 HK$'000 (Re-presented)	2016 HK$'000	2015 HK$'000 (Re-presented)
Trade payables	–	–	183,352	306,537	–	–	183,352	306,537	183,352	306,537
Other payables and accruals	–	–	188,000	1,138,009	–	–	188,000	1,138,009	188,000	1,138,009
Interest-bearing bank and other loans	1.36–8.14	9.56	–	5,850	390,020	250,333	390,020	256,183	390,020	256,183
Loans from the ultimate holding company	7.19	3.40–6.24	85,834	–	1,630,842	1,936,367	1,716,676	1,936,367	1,716,676	1,936,367
Loans from the immediate holding company	–	2.00	–	3,000	–	140,240	–	143,240	–	143,240
Amounts due to the ultimate holding company	–	–	206,222	1,231,494	1,259,493	1,520,731	1,465,715	2,752,225	69,053	1,092,386
Amount due to the immediate holding company	–	–	–	6,725	–	3,588	–	10,313	–	2,526
Interest payables to other loans	–	–	77,521	49,659	95,909	101,728	173,430	151,387	50,290	29,288
Senior Notes Due 2012	0.00	0.00	–	882,329	–	–	–	882,329	–	882,329
Convertible Notes Due 2015	0.00	0.00	–	441,753	–	–	–	441,753	–	441,753
PIK Notes Due 2015	0.00	0.00	–	88,657	–	–	–	88,657	–	88,657
Convertible preferred shares	4.70	4.70	–	435,325	379,509	–	379,509	435,325	379,509	435,325
K-Line Notes Due 2013	0.00	0.00	–	202,896	–	–	–	202,896	–	202,896
			740,929	4,792,234	3,755,773	3,952,987	4,496,702	8,745,221	2,976,900	6,955,496

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risks

Several subsidiaries of the Company have foreign currency costs and expenses, which expose the Group to foreign currency risk.

The Group is mainly exposed to the effects of fluctuation in RMB.

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

	Decrease/(increase) in loss before tax increase/(decrease) in profit/(loss) before tax	
	%	HK$'000
2016		
If RMB weakens against HK$	**5.51**	**4,643**
If RMB strengthens against HK$	**5.51**	**(4,643)**
2015		
If RMB weakens against HK$	5.76	51,224
If RMB strengthens against HK$	5.76	(51,244)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

The Group monitors capital using gearing ratios, which is total debts divided by total assets. The gearing ratios as at the end of the reporting periods were as follows:

	2016 HK$'000	2015 HK$'000 (Re-presented)
Other loans	390,020	256,183
Senior Notes Due 2012	—	882,329
Convertible Notes Due 2015	—	441,753
PIK Notes Due 2015	—	88,657
K-Line Notes Due 2013	—	202,896
Loans from the ultimate holding company	1,716,676	1,936,367
Loans from the immediate holding company	—	143,240
Total debts	2,106,696	3,951,425
Total assets	3,168,254	2,997,452
Gearing ratio	66%	132%

43. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2016 (2015: Nil).

44. COMPARATIVE AMOUNTS

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

45. EVENTS AFTER THE REPORTING PERIOD

(a) On 10 January 2017 and 15 February 2017, the Group had entered into the Framework Agreement and the Amended Framework Agreement, respectively, pursuant to which the Company has conditionally agreed to acquire 46% indirect interest in Zhoushan Yatai Shipbuilding Engineering Co., Ltd at the consideration of RMB100,000,000 (equivalent to approximately HK$112,927,997.10), which shall be satisfied by the allotment and issue of 1,411,599,964 consideration shares at the issue price of HK$0.08 per share by the Company under the Amended Framework Agreement upon completion. On 31 March 2017, the conditions precedent set out in the Amended Framework Agreement have been fulfilled and the completion took place on the same date.

(b) On 19 January 2017, the Company and the independent third parties have formed and registered a sinoforeign joint stock limited company (the "**JV Company**") with the Shanghai Administration for Industry and Commerce. The JV Company was jointly initiated by Titan Oil Storage Investment Limited ("**TOSIL**"), a wholly-owned subsidiary of the Company with three independent third parties in the PRC.

(c) On 28 March 2017, the Company had entered into a non-legally binding memorandum of understanding (the "**MOU**") with EMS Energy Limited ("**EMS**") in relation to a total of SGD10 million potential investment (the "**Proposed Investment**") by subscribing the convertible notes to be issued by EMS (the "**Convertible Notes**"), to enable for the completion of construction of a shipyard of EMS which is located at 12 Tuas South Street 15, Singapore with an area of 23,237.88 square meters and 106 meters waterfront boundary length (the "**Shipyard**").

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

a) Statement of financial position of the Company

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSET		
Interest in subsidiaries	—	—
CURRENT ASSETS		
Prepayments, deposits and other receivables	5,764	3,957
Cash and cash equivalents	163,007	8,058
Total current assets	168,771	12,015
CURRENT LIABILITIES		
Amounts due to subsidiaries	2,767	2,767
Other loans	—	—
Other payables and accruals	9,841	265,273
Financial guarantee contracts	—	321,996
Fixed rate guaranteed senior notes	—	882,329
Guaranteed senior convertible notes	—	441,753
Guaranteed senior payment-in-kind notes	—	88,657
Liability portion of convertible preferred shares	—	435,325
Amounts due to the ultimate holding company	—	888,875
Amount due to the immediate holding company	—	2,526
Loans from the immediate holding company	—	3,000
Total current liabilities	12,608	3,332,501
NET CURRENT ASSETS/(LIABILITIES)	156,163	(3,320,486)
TOTAL ASSETS LESS CURRENT LIABILITIES	156,163	(3,320,486)
NON-CURRENT LIABILITIES		
Liability portion of convertible preferred shares	379,509	—
Loans from the immediate holding company	—	140,240
Other loans	54,370	—
Total non-current liabilities	433,879	140,240
Net liabilities	(277,716)	(3,460,726)
Equity		
Share capital	306,273	78,206
Reserves	(583,989)	(3,538,932)
Total equity	(277,716)	(3,460,726)

The financial statements were approved and authorised for issue by the board of directors on 31 March 2017 and signed on its behalf by:

Zhang Weibing	**Tang Chao Zhang**
Director	*Director*

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

b) Movement in the Company's reserves

	Share premium HK$'000	Contribution surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 December 2014 and 1 January 2015	2,473,241	60,916	5,784	(6,054,620)	(3,514,679)
Total comprehensive loss for the year	—	—	—	(24,253)	(24,253)
Transfer to accumulated losses upon lapse of share options after vesting period	—	—	(4,087)	4,087	—
At 31 December 2015 and 1 January 2016	2,473,241	60,916	1,697	(6,074,786)	(3,538,932)
Total comprehensive income for the year	**—**	**—**	**—**	**902,336**	**902,336**
Issue of shares	**2,052,607**	**—**	**—**	**—**	**2,052,607**
Transfer to accumulated losses upon lapse of share options after vesting period	**—**	**—**	**(425)**	**425**	**—**
At 31 December 2016	**4,525,848**	**60,916**	**1,272**	**(5,172,025)**	**(583,989)**

47. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/registered capital	Percentage of equity attributable to the Company 2016 %	2015 %	Principal activities
Directly held					
Titan Oil (Asia) Ltd.	BVI	Ordinary US$1	100	100	Investment holding
Titan FSU Investment Limited	BVI	Ordinary US$1,000	100	100	Investment holding
TOSIL	BVI	Ordinary US$1	100	100	Investment holding
Titan Oil Trading (Asia) Limited	BVI	Ordinary US$1	100	100	Investment holding
Titan Bunkering Investment Limited	BVI	Ordinary US$1	100	100	Investment holding
Harbor Sky Investments Limited	BVI	Ordinary US$1	100	100	Investment holding
Titan Shipyard Holdings Limited	BVI	Ordinary US$1	100	100	Investment holding
Create Treasure Limited	BVI	Ordinary US$1	100	100	Investment holding
Titan Fujian	Mainland China	US$30,000,000	100	100	Investment holding
Indirectly held					
Titan Resources Management Limited	BVI/Hong Kong	Ordinary US$1	100	100	Provision of consultancy services
Ascend Success Investments Limited	Hong Kong	Ordinary HK$1	100	100	Provision of financing services
Brilliance Glory Limited	Hong Kong	Ordinary HK$2	100	100	Supply of oil products
石獅市益泰潤滑油脂貿易有限責任公司	Mainland China	RMB28,000,000	100	100	Investment holding
Shengsi Haixin	Mainland China	RMB50,000,000	100	100	Supply of oil products
Titan TQSL	BVI	Ordinary US$10,000	100	100	Investment holding
Titan Quanzhou Shipyard	Mainland China	RMB1,040,879,823	100	100	Shipbuilding and ship repair
Guangzhou Titan	Mainland China	RMB50,000,000	100	100	Supply of oil products

48. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2017.

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

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**760,921**	—	—	644,325	1,361,704
Profit/(Loss) before tax	**1,895,372**	(243,136)	3,778,032	(4,568,898)	(4,038,308)
Tax	**(5,553)**	1,355	1,342	(1,334)	61,164
Profit/(Loss) for the year	**1,889,819**	(241,781)	3,779,374	(4,570,232)	(3,977,144)
Attributable to:					
Owners of the Company	**1,889,840**	(241,781)	3,779,374	(4,570,232)	(3,977,144)
Non-controlling interests	**(21)**	—	—	—	—
	1,889,819	(241,781)	3,779,374	(4,570,232)	(3,977,144)

	At 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**3,168,254**	2,997,452	3,203,978	3,654,882	3,472,311
Total liabilities	**(3,071,025)**	(7,046,510)	(7,036,612)	(11,379,208)	(6,610,884)
	97,229	(4,049,058)	(3,832,634)	(7,724,326)	(3,138,573)

PARTICULARS OF THE INVESTMENT PROPERTY

At 31 December 2016

COMPLETED PROPERTY HELD FOR INVESTMENT

Location	Type	Lease term
A parcel of land located at Western side of Houzhu Port and Southern side of Beixing Community in Donghai Street, Fengze District, Quanzhou City, Fujian Province, the PRC	Office	Medium-term lease