Titan Petrochemicals Group Limited

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

INTERIM REPORT 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

Han Jun *(Chairman)* (Re-designated on 8 August 2017)
Hu Hongwei (Appointed on 8 August 2017)
Xiang Siying
Zhang Weibing (Resigned on 8 August 2017)

COMPANY SECRETARY

Au Man Wai (Appointed on 7 July 2017)
Wong Yu Kit (Resigned on 7 July 2017)

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
Bank of Communication Co., Ltd.

AUDITORS

Elite Partners CPA Limited

SOLICITORS

ONC Lawyers
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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2017 ("the Period"), the unaudited consolidated revenue of the Group was approximately HK$616,002,000, whereas there was no revenue generated for the six months ended 30 June 2016 ("the Comparative Period").

During the Period, the Group's trading of commodities recorded revenue of approximately HK$615,173,000 (Nil for the Comparative Period). Revenue of approximately HK$829,000 was generated from shipbuilding and ship-repairing operation during the Period. There was no comparative figure for this segment for the Comparative Period.

During the Period, the Group recorded other revenue of approximately HK$80,547,000. The Group generated interest income from bank deposit of approximately HK$103,000 during the Period. The other revenue for the Period was mainly due to the capital gain of HK$78,755,000 from the acquisition of Zhoushan Yatai Shipbuilding Engineering Co. Ltd completed during the first half of year 2017. Besides the above, the other revenue was rental income generated in shipyard factory in PRC.

During the Period, the Group's administrative expenses decreased from HK$69,311,000 for the six month ended 30 June 2016 to approximately HK$57,498,000 for the Period (mainly including depreciation approximately HK$22,281,000, employees and directors benefit expenses approximately HK$12,444,000, and rent and rates approximately HK$4,316,000), principally due to the decrease in legal and professional fees and depreciation cost.

Finance cost for the Period was approximately HK$93,181,000, representing mainly the interest from bank and other loans amounting to approximately HK$13,576,000 and loan interest from ultimate holding company amounting to approximately HK$71,211,000.

During the Period, the Group recorded loss attributable to owners of the Company of approximately HK$66,487,000, compared to the profit approximately HK$1,360,638,000 attributable to owners of the Company of approximately for the Comparative Period.

The basic loss per share was approximately 0.21 cent for the six months ended 30 June 2017, and the basic earning per share was approximately 17.26 cent for the Comparative Period.

As at 30 June 2017, the cash and cash equivalents of the Group amounted to approximately HK$154,054,000, representing a decrease of approximately HK$103,658,000 as compared with the cash and cash equivalents of approximately HK$257,712,000 as at 31 December 2016. The decrease was mainly resulted from the settlement of trade payables and the operating of shipyard.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the business of construction and repair of ship, and upstream and downstream oil and gas business.

Revenue of the Group for the six months ended 30 June 2017 was approximately HK$616,002,000, which was mainly attributable to the income from the trading of bulk commodities business, including petroleum, petrochemical and other related products. The Group did not earn any revenue in this segment for the six months ended 30 June 2016.

The Group recorded other revenue of approximately HK$80,547,000 (mainly arising from the gain on acquisition of an associate approximately of HK$78,755,000) for the six months ended 30 June 2017 while other revenue was approximately HK$23,554,000 for the six months ended 30 June 2016. While there was no material fluctuation in the component of general administrative expenses and finance costs, the Group recorded a loss attributable to owners of the Company for the six months ended 30 June 2017.

The Group recorded a loss attributable to owners of the Company of approximately HK$66,487,000 for the six months ended 30 June 2017, as compared to the profit attributable to owners of the Company of approximately HK$1,360,638,000 for the six months ended 30 June 2016. For the six months ended 30 June 2016, there was non-cash gain of HK$1,542,091,000 arising from the completion of the restructuring of the Group whereas there was no such non-cash gain item during the same period of the year 2017.

SHIPBUILDING AND SHIP-REPAIRING OPERATION

The Company is increasing its effort on its ship repairing business through acquisition in China's coastal regions and/or to make alliance with a number of leading local large-scale ship repair base to ensure the rational use of production settings and deployment of resources, to build up the Asian leading ship repair platform (in term of dock capacity) and to expand the business size in an orderly manner so as to enable the Company to achieve sustainable development.

The market conditions in the marine related service industry remain challenging and sluggish due to sustained lower global commodity prices. The Company will review and optimise the business of the Company in due course and formulate appropriate cost-effective and efficient measures for its shipbuilding and marine engineering business. During the period, the Group recorded a revenue of approximately HK$829,000 in the ship repair business in Quanzhou Shipyard. The Group has been preparing to further enhance its revenue from the ship repair business in the second half of 2017.

TRADING OF COMMODITIES

During the six months ended 30 June 2017, the Group has recorded revenue of its trading business of various bulk commodities products including petroleum, petrochemical and other related products which achieved sales of approximately HK$615,173,000.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group's net assets amounted to approximately HK$244.6 million, compared to approximately HK$97.2 million as at 31 December 2016. As at 30 June 2017, net assets per share attributable to equity shareholders of the Group was 0.76 cents (31 December 2016: 0.32 cents).

The Group financed its operations mainly through the loans from the ultimate holding company, the other third parties and convertible bonds. As at 30 June 2017,

- Cash and bank balances of HK$154.1 million (31 December 2016: HK$257.7 million). These balances were comprised of:

  – an equivalent of HK$40.3 million (31 December 2016: HK$121.0 million) denominated in US dollars ("USD")

  – an equivalent of HK$0.9 million (31 December 2016: HK$0.2 million) denominated in Singapore dollars ("SG$")

  – an equivalent of HK$29.5 million (31 December 2016: HK$91.7 million), denominated in Renminbi ("RMB"). The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

  – HK$83.4 million (31 December 2016: HK$44.8 million) in Hong Kong dollars ("HK$")

- Convertible preferred shares issued by the Company (the "Titan Preferred Shares") with a liability portion of HK$386.8 million (31 December 2016: HK$379.5 million).

- Interest-bearing bank and other loans of HK$398.1 million (31 December 2016: HK$390 million). Interest-bearing bank and other loans with fixed interest rate and floating interest rate having maturities within one year amounted to HK$9.3 million and HK$0.9 million respectively (31 December 2016: Nil). Interest-bearing bank and other loan with fixed interest rate and floating interest rate having maturities over one year amounted to HK$137.5 million and HK$250.4 million respectively. (31 December 2016: fixed interest rate amounted to HK$144.6 million and floating interest rate amounted to HK$245.4 million). The above effective interest rate is 6.75% to 8.15% (31 December 2016: 1.36%–8.14%).

- Loans from the ultimate holding company of HK$1,757.9 million (31 December 2016: HK$1,716.7 million), of which having maturities within one year amounted to HK$175.8 million (31 December 2016: HK$85.8 million). The effective interest rate of loan from the ultimate holding company was 8.15% for the Period (31 December 2016: 7.19%).

CHARGES ON ASSETS

The Group's loans, were secured or guaranteed by:

- Construction in progress with an aggregate carrying value of HK$752.7 million (31 December 2016: HK$735.1 million)
- Machinery with an aggregate net carrying value of HK$44.1 million (31 December 2016: HK$52.8 million)
- Buildings with an aggregate net carrying value of HK$395.4 million (31 December 2016: HK$393.2 million)
- Prepaid land/seabed lease payments with an aggregate net carrying value of HK$242.7 million (31 December 2016: HK$244.1 million)
- Investment property with an aggregate net carrying value of HK$176.2 million (31 December 2016: HK$172 million)
- Corporate guarantees to Shanghai Pudong Development Bank executed by the subsidiaries of the ultimate holding company
- Personal guarantees executed by a related party and a former director of the Company to Shanghai Pudong Development Bank
- On 12 May 2012, Great Logistic Holdings Limited and Titan Shipyard Investment Company Limited (wholly and beneficially owned by a then controlling shareholder of the Company) had pledged 2,600,000,000 shares of the Company to Shanghai Pudong Development Bank (Fuzhou Branch) ("SPD Bank"). On 30 August 2012, the aforementioned shares had been transferred to Fame Dragon International Investment Limited, a subsidiary of Guangdong Zhenrong Energy Co., Ltd. As mentioned in the section of the "PRC Proceedings" under the "Contingent Liabilities" in note 26 of the financial statements in this report, the Xiamen Maritime Court had ordered to seize the aforementioned 2,600,000,000 shares.

GEARING RATIO

The Group's current ratio was 1.22 (31 December 2016: 1.14). The gearing ratio of the Group, calculated as the Convertible bond, loans from the ultimate holding company and other loans divided by total assets, decreased to 0.65 (31 December 2016: 0.66).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURES AND COMMITMENTS

During the six months ended 30 June 2017, there were capital expenditures of addition on property, plant and equipment amounting to approximately HK$4,190,000 (six months ended 30 June 2016: Nil).

During the six months ended 30 June 2017, the Group disposed property, plant and equipment amounting to approximately HK$430,000 (six months ended 30 June 2016: Nil).

As at 30 June 2017, the total amount of capital expenditure commitments contracted by the Group but not provided for was nil (as at 31 December 2016: HK$850,243,000). All contracts already expired over several years, the Group management expected that those contracts were remote and there will be no capital expenditure incurred, and no provision would be made, thus not accounted for all such commitment.

LITIGATION

For details of the litigation of the company, please refer to note 26 of the notes to the financial statements under the section of "Contingent Liabilities" in this Report.

PROSPECTS

Going forward, the China's shipbuilding industry will face the overcapacity, price-competitiveness and fierce competition. Accordingly, some shipbuilding enterprises with operation performance are expected to ultimately survive and some of them focusing on market segments and specializing in niche market 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 value to our investors. Ultimately, the Group will continue to strengthen its overall financial position in preparation for any possible changes in the industry. The Group is cautiously optimistic with the Group's business performance in the second half of 2017.

SIGNIFICANT INVESTMENT

Formation of a joint venture company

(i) The Company has through its direct wholly-owned 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 rely 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.

For details, please refer to the announcement of the Company dated 24 January 2017.

(ii) The Company has through its indirect wholly-owned subsidiary, Surplus Full Limited, entered into the joint venture agreement with Yunnan Investment Group Holding Group Co., Ltd. for the establishment of the joint venture company namely Yunnan Yuntou Zhenrong Energy Co., Ltd. on 5 May 2017.

The Group is principally engaged in the business of construction and repair of ship, and upstream and downstream oil and gas business. The Company has been looking for suitable investment or business opportunities to diversify the business of the Group with an objective to broaden the Group's income sources. By the establishment of the JV Company, it would enhance the downstream oil business of the Group.

For details, please refer to the announcement of the Company dated 5 May 2017.

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.

For details, please refer to the announcement of the Company dated 28 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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.

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.

As disclosed in announcement in 2 April 2017, during the period from the fifth month to sixth month after the date of completion, the vendor has the right to negotiate and repurchase the shares of group of Zhoushan Yatai at the same price equivalent to the consideration. In case this situation happen, adjusted financial information will be reflected in the financial statements.

For details, please refer to the announcements dated 10 January 2017, 15 February 2017, 31 March 2017 and 2 April 2017.

FOREIGN EXCHANGE EXPOSURE

The Group operated in Mainland China, Hong Kong and Singapore and primarily used RMB for the business in Mainland China, HK$ in Hong Kong and USD and SG$ in Singapore. The Group exposed to foreign exchange risk based on fluctuations between HK$ and RMB arising from its core operation in the Mainland China. The Group does not undertake any derivatives financial instruments or hedging instruments for speculative purposes. The Group will constantly review the economic situation and its foreign currency risk profile. It is generally acknowledged that the People's Bank of China exercises real-time foreign exchange control in Mainland China. It would be difficult to adopt measures in order to hedge exchange risk of foreign currencies and the Group will minimize the adverse impact caused by loss from exchange as mentioned above.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group had 117 employees (31 December 2016: 117), of which 94 employees (31 December 2016: 96) worked in Mainland China, and 23 employees (31 December 2016: 20) were based in Hong Kong and no employee worked in Singapore (31 December 2016: 1), respectively. Remuneration packages including basic salaries, bonuses and benefits-in-kind, were structured by reference to market terms and individual merit and are reviewed on an annual basis based on performance appraisals. No share options were granted to employees of the Group during the six months ended 30 June 2017 (for the six months ended 30 June 2016: No share options granted).

DIVIDENDS

The board of directors (the "Board") of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: HK$Nil).

USAGE OF FUND PROCEEDS

The Company raised approximately HK$78,000,000 through the issue of convertible bond which took place on 28 April 2017. The net proceeds from the issue of the Convertible Bond (after deducting the relevant costs and expenses) was approximately HK$77,500,000. The proceeds from the issuance of the convertible bond has been used as working capital approximately HK$3,500,000 and for the purpose of future expansion of the Group's business HK$74,000,000.

The remaining balance of the net proceeds was placed in bank accounts. The Group will utilize the remaining net proceeds in the manner set out in the announcement of the Company dated 13 April 2017.

EVENTS AFTER REPORTING PERIOD

Loan Capitalizations

As disclosed in announcements on 7 July 2017, there were completion of subscription in an aggregate of 992,259,413 consideration shares by loan capitalizations. An aggregate of 992,259,413 consideration shares have been allotted and issued to the respective nominee(s) of the subscriber(s) at a price of HK$0.10 per consideration share and the consideration for the issue of such consideration shares have been used to set off against the outstanding sum of HK$54,369,460.93 and HK$44,856,480.44 owed by the Company to the respective subscribers accordingly.

For details, please refer to the announcements of the Company dated 20 June 2017 and 7 July 2017.

Share Consolidation

Pursuant to an ordinary resolution passed on 4 September 2017, the share consolidation resolution was approved by the shareholders and that with effect from 5 September 2017, every eight (8) of the existing issued shares of HK$0.01 each in the share capital of the Company were consolidated into 1 consolidated share having a par value of HK$0.08 per share.

For details, please refer to the announcement and circular of the Company dated 3 July 2017, 8 August 2017 and 4 September 2017 respectively.

OTHER INFORMATION

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

As at 30 June 2017, the directors of the Company who held office did not have any interests in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 30 June 2017, so far as is known to the Directors and the chief executive of the Company, the following persons had interests or short positions in the shares and underlying shares of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity	Number of issued ordinary shares held	Number of issued preferred shares held	Approximate percentage(%) of shareholding
He Xiaoqun (Note 1)	Corporate interest	18,900,449,484(L)	555,000,000(L)	58.99%/1.73%
Liang Wei (Note 1)	Corporate interest	18,900,449,484(L)	555,000,000(L)	58.99%/1.73%
Xia Yingyan (Note 1)	Corporate interest	18,900,449,484(L)	555,000,000(L)	58.99%/1.73%
海南利津投資有限公司 (Hainan Li Jin Investment Co. Ltd.*) ("**Hainan Li Jin**") (Note 1)	Corporate interest	18,900,449,484(L)	555,000,000(L)	58.99%/1.73%
珠海振戎公司(Zhuhai Zhenrong Company*) ("**Zhuhai Zhenrong**") (Note 1)	Corporate interest	18,900,449,484(L)	555,000,000(L)	58.99%/1.73%
廣東振戎能源有限公司 (Guangdong Zhenrong Energy Co., Ltd.*) ("**GZE**") (Note 1)	Corporate interest	18,900,449,484(L)	555,000,000(L)	58.99%/1.73%

OTHER INFORMATION

Name	Capacity	Number of issued ordinary shares held	Number of issued preferred shares held	Approximate percentage(%) of shareholding
廣東振戎(香港)有限公司 (Guangdong Zhenrong (Hong Kong) Company Limited) ("**Guangdong Zhenrong HK**") (Note 1)	Corporate interest	18,900,449,484(L)	555,000,000(L)	58.99%/1.73%
榮龍國際投資有限公司 (Fame Dragon International Investment Limited) ("**Fame Dragon**") (in liquidation) (Note 1)	Beneficial interest/ Corporate interest	17,175,982,179(L) 1,724,467,305(L)	— —	53.60% 5.38%
New Growth Ventures Limited	Corporate Interest	3,667,573,264(L)	—	11.44%
Docile Bright Investments Limited ("**DBIL**") (Note 1)	Beneficial interest	—	555,000,000(L)	1.71%
北京中融穩達資產管理有限公司	Beneficial interest	18,905,449,484(L) 1,921,700,000(S)	—	59.00% 5.99%
	Corporate Interest	1,520,960,000(L)		4.74%

Note 1:

Fame Dragon is directly, wholly and beneficially owned by Guangdong Zhenrong HK, which is directly, wholly and beneficially owned by GZE. As disclosed in our announcement dated 5 May 2017, the Official Receiver's Office of The Government of the Hong Kong Special Administrative Region was appointed as the provisional liquidator of Fame Dragon as per a winding up petition filed by 振戎有限公司 (Zhenrong Company Limited*), an offshore subsidiary of Zhuhai Zhenrong. Zhuhai Zhenrong is the largest shareholder of GZE, which wholly owns Fame Dragon through its wholly owned subsidiary, Guangdong Zhenrong HK. For details, please refer to the announcement of the Company dated 5 May 2017.

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.

OTHER INFORMATION

SHARE OPTION SCHEMES

A share option scheme (the "2002 Share Option Scheme") was approved and adopted by the then shareholders of the Company (the "Shareholders") on 31 May 2002 (as amended on 24 June 2010) and terminated on 20 June 2011, for a period of 10 years commencing on the adoption date.

On 20 June 2011, a share option scheme (the "2011 Share Option Scheme") was approved and adopted by the then shareholders of the Company, for a period of 10 years commencing on the adoption date, and that no share options were granted, exercised, lapsed or cancelled under the 2011 Share Option Scheme since the adoption date. On 26 June 2017, the scheme limit under 2011 Share Option Scheme is refreshed and was approved and adopted by the shareholders at the annual general meeting of the Company held on 26 June 2017 and the Company is allowed to grant further options under the 2011 Share Option Scheme carrying the rights to subscribe for a maximum of 3,203,888,773 Shares. As the share consolidation became effective on 5 September 2017, 400,486,096 shares may be issued under the 2011 Share Option Scheme.

Subject to the terms and conditions of the 2011 Share Option Scheme, the Board may, at its discretion, grant share options to any eligible person to subscribe for the shares in the Company (the "Shares") within the validity period of the scheme. During the period, no share options were granted by the Company in accordance with the terms of the 2011 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 as at 30 June 2017:

	Number of share option							
Name or category of participant	**At 1 January 2017**	**Granted during the year**	**Lapsed during the year**	**Exercised during the year**	**At 30 June 2017**	**Date of grant of share options***	**Exercise period of share options**	**Exercise price of share options** HK$**
Other employees								
In aggregate	3,945,312	—	(3,945,312)	—	—	1 February 2008	1 February 2012 to 31 January 2017	0.3832
	4,508,928	—	(3,757,440)	—	751,488	1 February 2008	1 February 2013 to 31 January 2018	0.3832
	8,454,240	—	(7,702,752)	—	751,488			

As at 30 June 2017, there were a total of 751,488 share options remain outstanding under the 2002 Share Option Scheme, representing 0.0023% of the total number of Shares in the issued share capital of the Company. During the period, no share options were granted or exercised.

OTHER INFORMATION

PRE-EMPTIVE RIGHTS

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

CONVERTIBLE BOND

As disclosed on 13 April 2017, the Company and the subscriber entered into the subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue and the subscriber has conditionally agreed to subscribe for the convertible bond with an aggregate principal amount of HK$78,000,000. Based on the conversion price of HK$0.095 per conversion share, a maximum number of 821,052,631 conversion shares may fall to be allotted and issued upon exercise of the conversion rights attached to the convertible bonds in full.

The gross proceeds from the issue of the convertible bond is HK$78,000,000. The net proceeds from the issue of the convertible bond (after deducting the relevant costs and expenses) is approximately HK$77,500,000. The proceeds from the issuance of the convertible bond will be used solely as working capital and for the purpose of future expansion of the Group's business.

As disclosed on 28 April 2017, the subscription agreement have been fulfilled and that the convertible bonds in the principal amount of HK$78,000,000 have been issued by the Company to the subscriber on 28 April 2017.

For details, please refer to the announcements of the Company dated 13 April 2017 and 28 April 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2017.

DISCLOSURE OF INFORMATION ON DIRECTORS

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

With effect from 8 August 2017, Dr. Zhang Weibing, the executive Director, resigned as the chairman of the Nomination Committee. Dr. Han Jun, the independent non-executive Director, was re-designated as the chairman of the Nomination Committee. Mr. Hu Hongwei, the executive Director, was appointed as a member of the Nomination Committee.

OTHER INFORMATION

CORPORATE GOVERNANCE

During the period, the Company has applied the principles of, and complied with the applicable code provisions of the Corporate Governance Code ("CG Code") and Corporate Governance Report as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for certain deviations which are summarised below:

In accordance to 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. Dr. Han Jun, the independent non-executive directors of the Company, was unable to attend the annual general meeting of the Company held on 26 June 2017 as she has other engagements.

AUDIT COMMITTEE

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 has reviewed the accounting principles and practices adopted by the Group and discussed with the management in respect to the financial reporting matters, including review of the unaudited interim results of the Group for the six months ended 30 June 2017, and is of the opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") comprises three members namely Ms. Xiang Siying (Chairman), Dr. Zhang Weibing and Dr. Han Jun. The Remuneration Committee is to review and determine the remuneration policy and other remuneration related matters of the Directors and the senior management of the Group.

OTHER INFORMATION

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") comprises three members namely Dr. Han Jun (Chairman), Mr. Hu Hongwei and Ms. Xiang Siying. The Nomination Committee made recommendations to the board on appointment of the directors, having regard to the candidates' qualification and competence, so as to ensure that all nominations are fair and transparent.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

By Order of the Board

Zhang Weibing
Executive Director

31 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
Revenue	2	**616,002**	–
Cost of sales		**(614,109)**	–
Gross profit		**1,893**	–
Other revenue		**80,547**	23,554
Other loss		**(35)**	(52,638)
Gain on restructuring	4	**–**	1,542,091
General and administrative expenses		**(57,498)**	(69,311)
Finance costs	5	**(93,181)**	(83,680)
(Loss)/profit before tax	6	**(68,274)**	1,360,016
Income tax credit	7	**615**	622
(LOSS)/PROFIT FOR THE PERIOD		**(67,659)**	1,360,638
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**4,381**	(18,816)
Total comprehensive (loss)/income for the period		**(63,278)**	1,341,822
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(62,106)**	1,341,822
Non-controlling interests		**(1,172)**	–
		(63,278)	1,341,822
(Loss)/profit for the period attributable to:			
Owners of the Company		**(66,487)**	1,360,638
Non-controlling interests		**(1,172)**	–
		(67,659)	1,360,638
BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic per share		**(0.21 cents)**	17.26 cents
Diluted per share		**(0.21 cents)**	16.21 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2017 (Unaudited) HK$'000**	31 December 2016 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**2,149,359**	2,113,588
Prepaid land/seabed lease payments		**280,064**	281,650
Investment property	11	**176,163**	172,034
Total non-current assets		**2,605,586**	2,567,272
CURRENT ASSETS			
Inventories		**40,045**	39,363
Trade receivables	12	**208,576**	209,274
Prepayments, deposits and other receivables		**147,313**	94,633
Amount due from an associated company	13	**222,449**	–
Available-for-sale financial assets		**49,821**	–
Cash and cash equivalents		**154,054**	257,712
Total current assets		**822,258**	600,982
CURRENT LIABILITIES			
Interest-bearing bank and other loans	14	**10,161**	–
Trade payables	15	**3,375**	183,352
Other payables and accruals	16	**262,027**	188,000
Convertible bond	20	**78,719**	–
Tax payable		**517**	930
Amounts due to the ultimate holding company	18	**142,742**	69,053
Amount due to an associated company	13	**1,151**	–
Loans from the ultimate holding company	19	**175,788**	85,834
Total current liabilities		**674,480**	527,169
NET CURRENT ASSETS		**147,778**	73,813
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,753,364**	2,641,085

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2017 (Unaudited) HK$'000**	31 December 2016 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Loans from the ultimate holding company		**1,582,092**	1,630,842
Liability portion of convertible preferred shares	17	**386,813**	379,509
Interest-bearing bank and other loans		**387,915**	390,020
Other payable and accruals	16	**58,537**	50,290
Deferred tax liabilities		**93,455**	93,195
Total non-current liabilities		**2,508,812**	2,543,856
Net assets		**244,552**	97,229
EQUITY			
Attributable to owners of the Company			
Share capital	21	**320,389**	306,273
Reserves	22	**(143,716)**	(209,026)
		176,673	97,247
Non-controlling interests		**67,879**	(18)
Total equity		**244,552**	97,229

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total equity attributable to the owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Convertible bond reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserves HK$'000	PRC statutory reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Subtotal HK$'000	Non-Controlling interest HK$'000	Total HK$'000
At 1 January 2016 (Re-presented) (Audited)	78,206	2,473,241	18,261	—	1,697	108,105	175	180,220	(6,908,963)	(4,049,058)	—	(4,049,058)
Profit for the period	—	—	—	—	—	—	—	—	1,360,638	1,360,638	—	1,360,638
Other comprehensive income	—	—	—	—	—	—	—	(18,816)	—	(18,816)	—	(18,816)
Total comprehensive income	78,206	2,473,241	18,261	—	1,697	108,105	175	161,404	(5,548,325)	(2,707,236)	—	(2,707,236)
Issue of shares	228,067	2,052,606	—	—	—	—	—	—	—	2,280,673	—	2,280,673
Lape of share options after vesting period	—	—	—	—	(425)	—	—	—	425	—	—	—
At 30 June 2016 (Re-presented) (Unaudited)	306,273	4,525,847	18,261	—	1,272	108,105	175	161,404	(5,547,900)	(426,563)	—	(426,563)
At 31 December 2016 and at 1 January 2017 (Re-presented) (Audited)	**306,273**	**4,525,848**	**18,261**	**—**	**1,272**	**108,105**	**175**	**156,011**	**(5,018,698)**	**97,247**	**(18)**	**97,229**
Loss for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(66,487)**	**(66,487)**	**69,069**	**2,582**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**4,381**	**—**	**4,381**	**(1,172)**	**3,209**
Total comprehensive income	**306,273**	**4,525,848**	**18,261**	**—**	**1,272**	**108,105**	**175**	**160,392**	**(5,085,185)**	**35,141**	**67,879**	**103,020**
Issue of consideration shares	**14,116**	**127,044**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**141,160**	**—**	**141,160**
Issue of convertible bond	**—**	**—**	**—**	**372**	**—**	**—**	**—**	**—**	**—**	**372**	**—**	**372**
Lape of share options after vesting period	**—**	**—**	**—**	**—**	**(1,156)**	**—**	**—**	**—**	**1,156**	**—**	**—**	**—**
At 30 June 2017 (Unaudited)	**320,389**	**4,652,892**	**18,261**	**372**	**116**	**108,105**	**175**	**160,392**	**(5,084,029)**	**176,673**	**67,879**	**244,552**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax:	**(68,274)**	1,360,015
Adjustments for:		
Depreciation of non-current assets	**22,281**	26,260
Interest income	**(103)**	(46)
Finance costs	**93,181**	83,680
Gain on restructuring	**—**	(1,542,091)
Other incomes	**—**	11,320
Loss on disposal of Fixed asset	**107**	—
Reversal of finance cost	**(78,551)**	—
Operating cash flows before working capital change	**(31,359)**	(60,862)
Decrease in Inventories	**261**	—
Decrease in trade receivables	**698**	—
Increase in prepayments, deposits and other receivables	**(52,518)**	(8,898)
Decrease in trade payable	**(179,977)**	(265,636)
Increase in other payables and accruals	**355,244**	38,667
Decrease in amount due to ultimate holding	**(222,449)**	—
Cash used in from operations	**(130,100)**	(296,729)
Tax paid	**(430)**	(7)
Net cash used in from operating activities	**(130,530)**	(296,736)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**103**	46
Purchase of property, plant and equipment	**(4,206)**	—
Disposal of property, plant and equipment	**14**	—
Investment on available-for-sale financial asset	**(49,821)**	—
Net cash (used in)/generated from investing activities	**(53,910)**	46
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans from ultimate holding company	**—**	11,807
Loans from immediate holding company	**—**	18,459
Issuance of shares	**—**	520,686
Increase in restricted cash	**—**	(45)
Issuance of convertible bond	**78,000**	—
Net cash generated from financing activities	**78,000**	550,907
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(106,440)**	254,217
Cash and cash equivalents as at 1 January	**257,712**	9,989
Effect of foreign exchange rate changes, net	**2,782**	(6)
CASH AND CASH EQUIVALENTS AT 30 JUNE	**154,054**	264,200

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of Titan Petrochemicals Group Limited and its subsidiaries for the six month ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

1.1 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31 December 2016.

The Group has adopted the standards, amendments and interpretations that have been issued and effective for the accounting period beginning on 1 January 2017. The application of the such amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. REVENUE

For the six months ended 30 June 2017, the unaudited consolidated revenue of the Group was approximately HK$616,002,000, whereas there was no revenue generated in the Comparative Period.

During the Period, the Group's trading of commodities recorded revenue of approximately HK$615,173,000 (Nil for the Comparative Period). Revenue of approximately HK$829,000 was generated from shipbuilding and ship-repairing operation during the Period. There was no comparative figure for this segment for the Comparative Period.

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

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

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

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (CONTINUED)

The accounting policies of the operating segments are the same as the Group's accounting policies described in the Company's annual report for the year ended 31 December 2016.

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 approximately HK$12,706,000 intersegment sales during the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

The following tables present the unaudited segment information for the six months ended 30 June 2017 and 2016.

Six months ended 30 June 2017

	Trading of commodities HK$'000	Shipbuilding and ship-repairing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment revenue				
– Revenue from external customers	615,173	829	–	616,002
– Intersegment	12,200	506	(12,706)	–
	627,373	1,335	(12,706)	616,002
Segment results	221	(27,597)	–	(27,376)
Adjusted for:				
– Interest income	–	–	103	103
– Other revenue	–	–	78,748	78,748
– Other expenses	–	–	(26,568)	(26,568)
	221	(27,597)	52,283	24,907
Add: Depreciation and amortisation	161	21,599	521	22,281
Operating profit/(loss) before interest, tax, depreciation and amortisation ("EBITDA"/"LBITDA")	382	(5,998)	52,804	47,188
Depreciation and amortisation	(161)	(21,599)	(521)	(22,281)
Finance costs	(3,649)	(81,138)	(8,394)	(93,181)
(Loss)/profit before tax	(3,428)	(108,735)	43,889	(68,274)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2016

	Trading of commodities HK$'000	Shipbuilding and ship-repairing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment revenue				
– Revenue from external customers	–	–	–	–
Segment results	(27)	(31,009)	–	(31,036)
Adjusted for:				
– Interest income	–	–	46	46
– Other revenue	–	–	23,508	23,508
– Other expenses	–	–	(90,913)	(90,913)
	(27)	(31,009)	(67,359)	(98,395)
Add: Depreciation and amortisation	–	25,811	449	26,260
Operating (loss)/profit before interest, tax, depreciation and amortisation ("LBITDA"/"EBITDA")	(27)	(5,198)	(66,910)	(72,135)
Gain on restructuring	–	–	1,542,091	1,542,091
Adjusted LBITDA/EBITDA	(27)	(5,198)	1,475,181	1,469,956
Depreciation and amortisation	–	(25,811)	(449)	(26,260)
Finance costs	–	(71,483)	(12,197)	(83,680)
(Loss)/profit before tax	(27)	(102,492)	1,462,535	1,360,016

4. GAIN ON RESTRUCTURING

For the six months ended 30 June 2017, there was no gain on restructuring. For the corresponding period in 2016, all of the conditions precedent in each of the respective agreements constituting under the Restructuring (Note) have been satisfied on 24 June 2016, the completion of the Restructuring resulted in a gain on restructuring of HK$1,542,091,000 during the six months ended 30 June 2016.

Note:

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
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, Convertible Notes Due 2015 and PIK Notes Due 2015 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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. GAIN ON RESTRUCTURING (CONTINUED)

(i) (Continued)

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 Comparative Period.

(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 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 Comparative Period.

(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 Comparative Period.

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interests on:		
Bank and other loans	**13,576**	10,093
Loans from the immediate holding company	**–**	1,679
Loans from the ultimate holding company	**71,211**	64,604
Dividends on convertible preferred shares of the Company (the "Titan preferred shares")	**7,304**	7,304
Interest on fixed rate guaranteed convertible bond	**1,090**	–
Total interest expenses	**93,181**	83,680

6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting) the amounts as set out below.

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Employee benefits expenses (excluding director's remuneration)		
Wages and salaries	**6,394**	8,044
Pension scheme contributions	**425**	1,642
	6,819	9,735
Depreciation	**18,833**	23,802
Amortisation of prepaid land/seabed lease payments	**3,448**	2,458
Foreign exchange differences, net	**35**	52,638
Bank interest income	**(103)**	(46)
Auditor's remuneration	**465**	555
Minimum lease payments under operating leases: leasehold buildings	**4,316**	2,581

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX CREDIT

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

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

	2017	2016
Hong Kong	**16.5%**	16.5%
Singapore	**17.0%**	17.0%
The People's Republic of China ("Mainland China" or the "PRC")	**25.0%**	25.0%

Hong Kong

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

Singapore

No provision for taxation has been made as the subsidiaries in Singapore did not generate any assessable profit for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

Mainland China

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax:		
Overprovision in prior periods – Hong Kong	**–**	7
Deferred taxation	**615**	615
Total tax credit for the period	**615**	622

8. DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

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

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

	Six months ended 30 June 2017 (Unaudited) HK$'000	Six months ended 30 June 2016 (Unaudited) HK$'000
(Loss)/earnings		
(Loss)/earnings for the purpose of basic (loss)/earnings per share		
(Loss)/profit for the period attributable to owners of the Company	**(66,487)**	1,360,638
Effect of dilutive potential ordinary shares:		
Dividends on Titan preferred shares	**7,304**	7,304
Interest on fixed rate guarantees convertible bond	**1,090**	–
(Loss)/earnings for the purpose of diluted (loss)/earnings per share	**(58,093)**	1,367,942

Number of shares

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**31,235,601,567**	7,882,868,160
Effect of dilutive potential ordinary shares:		
Titan preferred shares (Note)	**555,000,000**	555,000,000
Convertible bond (Note)	**285,780,750**	–
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**32,076,382,317**	8,437,868,160

Note:

The calculation of diluted loss per share for the six month ended 30 June 2017 did not take into account Titan preferred shares and convertible bond of the Company as the assumed exercise would result in an anti-diluted effect.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment amounting to approximately HK$4,190,000 (six months ended 30 June 2016: Nil).

During the six months ended 30 June 2017, the Group disposed property, plant and equipment amounting to approximately HK$430,000 (six months ended 30 June 2016: Nil).

11. INVESTMENT PROPERTY

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

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

As at 30 June 2017, the investment property of the Group with an aggregate net carrying value of HK$176,163,000 (31 December 2016: HK$172,034,000) under the condensed consolidated statement of financial position was pledged to secure the interest-bearing bank and other loans granted to the Group. The increase in the aggregate net carrying value was due to the appreciation of Renminbi during the reporting period.

12. TRADE RECEIVABLES

The Group reviews the credit terms of trade receivables from time to time and allows credit terms to well-established customers ranging from 30 to 180 days. Efforts are made to maintain strict control over outstanding receivables and overdue balances are reviewed regularly by management. Based on the past experience, the management of the Group was of the opinion that no provision for impairment was necessary in respect of these balances as there had not been a significant change in credit quality and the balances are still considered fully recoverable. On this basis and the fact that the Group's trade receivables relate to a large number of diversified customers, there are no significant concentrations of credit risk. Trade receivables are non-interest-bearing.

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

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
0–90 days	**56,410**	209,274
91–180 days	**152,166**	–
	208,576	209,274

13. AMOUNT DUE FROM/TO AN ASSOCIATED COMPANY

As before-mentioned under 'Acquisition of Zhoushan Yatai Shipbuilding Engineering Co., Ltd ("Zhoushan Yatai")' on page 8 of the report, the Group acquired 46% indirect interest in Zhoushan Yatai of HK$112,927,997.10 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. After the acquisition of associate company of Zhoushan Yati, the Company can provide the amount of shareholder loan in the aggregate principal amounting to RMB193,200,000. The amount due from an associated company was mainly comprised of the shareholder loan which was capital in nature. The amount due to an associated company was mainly due to the deposit not yet returned to Zhoushan Yatai.

From the fifth month to sixth month after the date of completion, the vendor has the right to negotiate and repurchase the shares of group of Zhoushan Yatai at the same price equivalent to the consideration. In case this situation happens, adjusted financial information will be reflected in the financial statements.

14. INTEREST-BEARING BANK AND OTHER LOANS

Interest-bearing bank and other loans of HK$398.1 million (31 December 2016: HK$390 million). Interest-bearing bank and other loans with fixed interest rate and floating interest rate having maturities within one year amounted to HK$9.3 million and HK$0.9 million respectively (31 December 2016: Nil). Interest-bearing bank and other loan with fixed interest rate and floating interest rate having maturities over one year amounted to HK$137.5 million and HK$250.4 million respectively. (31 December 2016: fixed interest rate amounted to HK$144.6 million and floating interest rate amounted to HK$245.4 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. 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 and services rendered, is as follows:

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
0–90 days	**3,313**	183,291
91–180 days	**–**	61
181–365 days	**62**	–
	3,375	183,352

16. OTHER PAYABLES AND ACCRUALS

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Current:		
Amounts due to a deconsolidated jointly-controlled entity	**61,169**	59,735
Receipt in advance	**159,282**	86,074
Provision and accrual of expenses	**12,474**	2,372
Others	**29,102**	39,819
	262,027	188,000
Non-current:		
Interest payable	**58,537**	50,290
	320,564	238,290

Included in the other payables and accruals as at 30 June 2017 was a provision related to a claim from a former director against the Company amounted to approximately HK$1,167,000 (31 December 2016: HK$1,167,000).

17. CONVERTIBLE PREFERRED SHARES

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

On 4 July 2012, the Company received from SPHL a notice to redeem all of the Company's outstanding 555,000,000 preferred shares held by it at a redemption amount equal to the notional value of the Company's preferred shares (being HK$310,800,000) together with any accrued and unpaid dividends.

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

The Company and DBIL (as the lawful attorney of SPHL) subsequently entered into a deed dated 22 August 2014 (as supplemented and amended on 27 February 2015 and 28 May 2015, 30 July 2015 and 16 October 2015) (the "Listco Preferred Shares Modification Deed") in relation to, among others, the extension of the redemption period of the Titan Preferred Shares and the restriction of the conversion of the Titan Preferred Shares.

As disclosed in the Company's announcements dated 28 May 2015, 7 August 2015, 5 November 2015 and 5 May 2016, on 28 May 2015, 30 July 2015, 16 October 2015 and 29 April 2016, the Company and DBIL entered into supplemental agreements, pursuant to which the parties agreed to extend the long stop date for the satisfaction of the conditions under the Listco Preferred Shares Modification Deed to 31 July 2015, 31 August 2015, 30 April 2016 and 31 August 2016 respectively.

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

18. AMOUNTS DUE TO THE ULTIMATE HOLDING COMPANY

As at 30 June 2017, the loan due to GZE was RMB1,527 million. The loans were non-secured, and the interest rate was with reference to the basic lending rate per annum of the People's Bank of China.

19. LOANS FROM THE ULTIMATE HOLDING COMPANY

Loans from the ultimate holding company of HK$1,757.9 million (31 December 2016: HK$1,716.7 million), of which maturities within one year amounted to HK$175.8 million (31 December 2016: HK$85.8 million). The effective interest rate of loan from the ultimate holding company was 8.15% for the Period (31 December 2016: 7.19%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. CONVERTIBLE BOND

As disclosed in the Company's announcement dated 13 April 2017, the Company and Sino Charm International Limited entered into the subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue and the subscriber has conditionally agreed to subscribe for the convertible bond with an aggregate principal amount of HK$78,000,000. Based on the conversion price of HK$0.095 per conversion share, a maximum number of 821,052,631 conversion shares may fall to be allotted and issued upon exercise of the conversion rights attached to the convertible bond in full.

The gross proceeds from the issue of the convertible bond is HK$78,000,000. The net proceeds from the issue of the convertible bond (after deducting the relevant costs and expenses) is approximately HK$77,500,000. The proceeds from the issuance of the convertible bond will be used solely as working capital and for the purpose of future expansion of the Group's business.

As disclosed in the Company's announcement dated 28 April 2017, the subscription agreement have been fulfilled and that the convertible bond in the principal amount of HK$78,000,000 have been issued by the Company to the subscriber on 28 April 2017. Based on the initial conversion price of HK$0.095 per conversion share, a maximum number of 821,052,631 conversion shares may fall to be allotted and issued upon the exercise of the conversion rights attached to the convertible bond in full.

In accordance with Hong Kong Financial Reporting Standard 13 ("HKFRS 13"), for calculating the fair value of convertible bond, the valuation carried out on the respective dates by Sino-Infinite Appraisal Limited, an independent qualified valuer not connected to the Group. The calculation was based on the Binomial Option Pricing Model ("BP Model"). The Cox-Ross-Rubinstein Binomial Model was used to determine the fair value of the Convertible Bond. A BP Model typically incorporates a large number of very short time periods to reflect a realistic range of possible prices that a share could achieve over the bond's contractual term, which could result in several hundred total nodes. Binomial common share price tree is constructed with a set of path that predict common share price movement over time. The liability component of the Convertible bond is calculated by discounting the future cash flows of the Convertible bond i.e. principal and coupon, if any, at the hypothetical Bond discount rate of the Company for a period commensurate to the remaining time to maturity of the Convertible Bonds as of the Valuation Date.

21. SHARE CAPITAL

Shares

	2017 Number of shares	2017 Nominal value of shares HK$'000	2016 Number of shares	2016 Nominal value of shares HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
As at 1 January 2017/2016	**80,000,000,000**	**800,000**	80,000,000,000	800,000
As at 30 June 2017/31 December 2016	**80,000,000,000**	**800,000**	80,000,000,000	800,000
Convertible preferred shares of HK$0.01 each				
As at 1 January 2017/2016 and 30 June 2017/31 December 2016	**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 2017/2016	**30,627,287,770**	**306,273**	7,820,554,682	78,206
Open offer	–	–	2,606,851,560	26,068
Placing	–	–	2,600,000,000	26,000
Consideration issue	**1,411,599,964**	**14,116**	14,000,000	140
Shipyard Termination Shares	–	–	9,382,164,000	93,822
Assumption Consideration Shares	–	–	3,595,420,415	35,954
New Shares under the Creditors' Scheme	–	–	1,920,886,282	19,209
New Shares under Debt Rescheduling Agreement; the Interim Financing Agreement and the Working Capital Loan Agreement	–	–	2,687,410,831	26,874
As at 30 June 2017/31 December 2016	**32,038,887,734**	**320,389**	30,627,287,770	306,273
Convertible preferred shares of HK$0.01 each				
As at 1 January 2017/2016 and 30 June 2017/31 December 2016	**555,000,000**	**5,550**	555,000,000	5,550

Notes:

a) During the six months ended 30 June 2017, none of the Convertible Bond Due 2018 were converted into ordinary shares.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. 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.

Convertible bond reserve

The convertible bond reserve represents the value of the unexercised/repurchased equity component of convertible bond issued by the Company recognised in accordance with the accounting policy adopted for convertible bond.

Share option reserve

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

PRC statutory reserve

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

Asset revaluation reserve

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

Exchange fluctuation reserve

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

23. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its part of shipyard land under operating lease arrangement, with leases negotiated for terms for one year.

At 30 June 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Within one year	**2,004**	—

As lessee

The Group leases office premises and staff quarters under operating lease arrangements. At 30 June 2017, leases for office premises and staff quarters are negotiated for terms ranging from one to three years (31 December 2016: one to three years) with an option to renew the lease when all terms are negotiated. None of the leases includes contingent rentals.

At 30 June 2017 and 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Office premises and staff quarters		
Within one year	**5,273**	4,282
In the second to fifth years, inclusive	**3,539**	6,097
	8,812	10,379

24. COMMITMENTS

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Commitments for shipbuilding and ship repair facilities in Mainland China*	**—**	816,705

* As all contracts already expired over several years, the Group management expected that those contracts were remote, and there will be no capital expenditure incurred, and no provision would be made, thus not accounted for all such commitments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25. GUARANTEES

As at 30 June 2017, there was no guarantees for the Group (31 December 2016: Nil).

26. CONTINGENT LIABILITIES

a) BVI Proceedings

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

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

On 18 July 2012 (BVI time), Titan Oil Storage Investment Limited ("TOSIL"), a wholly owned subsidiary of the Company and a shareholder of TGIL, filed a notice of appeal at the Court of Appeal of the Eastern Caribbean Supreme Court (the "BVI Court of Appeal") against the above order and applied for a stay of execution thereof pending the determination of the appeal. The stay application was subsequently withdrawn. Further details in respect of the above are included in the Company's announcement dated 20 July 2012.

The BVI Court of Appeal was stayed until 20 March 2013 (BVI time) by consent of TOSIL as appellant and SSL and TGIL as respondents. The Appeal has been withdrawn as part of the settlement of all litigation relating to the Group pursuant to the settlement deed.

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

b) 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. The case is ready for trial, pending on fixing the trial date.

(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 and the pleadings have closed and the case has no further progress since then.

26. CONTINGENT LIABILITIES (CONTINUED)

c) 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 judgment is awaited from the Court.

27. MATERIAL RELATED PARTY TRANSACTIONS

Amount due from/to an associated company

As before-mentioned under 'Acquisition of Zhoushan Yatai Shipbuilding Engineering Co., Ltd ("Zhoushan Yatai")' on page 7 of the report, the Group acquired 46% indirect interest in Zhoushan Yatai of HK$112,927,997.10 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. After the acquisition of associate company of Zhoushan Yati, the Company can provide the amount of shareholder loan in the aggregate principal amounting to RMB193,200,000. The amount due from an associated company was mainly comprised of the shareholder loan which was capital in nature. The amount due to an associated company was mainly due to the deposit not yet returned to Zhoushan Yatai.

From the fifth month to sixth month after the date of completion, the vendor has the right to negotiate and repurchase the shares of group of Zhoushan Yatai at the same price equivalent to the consideration. In case this situation happens, adjusted financial information will be reflected in the financial statements.

Amounts due to the ultimate holding company

As at 30 June 2017, the loan due to GZE was RMB1,527 million. The loans were secured, carried an interest rate at basic lending rate of the People's Bank of China per annum.

Loans from the ultimate holding company

The loan from the ultimate holding company denominated in RMB with the amount of RMB$152,674,000 (equivalent to approximately HK$175,788,000) and RMB1,374,068,000 (equivalent to approximately HK$1,582,092,000) are repayable within one year and beyond one year respectively and carry an interest rate at the basic lending rate of People's Bank of China per annum, and were secured by:

i) Construction in progress with an aggregate carrying value of HK$752.7 million (31 December 2016: HK$735.1 million)

ii) prepaid land/seabed lease payments with an aggregate net carrying value of HK$247.7 million (31 December 2016: HK$244.1 million)

iii) buildings with an aggregate net carrying value of HK$395.4 million (31 December 2016: HK$393.2 million)

iv) machinery with an aggregate net carrying value of HK$44.1 million (31 December 2016: HK$52.8 million)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

28. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's financial assets at FVTPL are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market date (unobservable inputs).

29. COMPARATIVE AMOUNTS

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

30. EVENTS AFTER THE REPORTING PERIOD

Loan Capitalizations

As disclosed in announcement in 7 July 2017, there was the completion of subscription of 992,259,413 consideration shares by loan capitalization. An aggregate of 992,259,413 Consideration Shares have been allotted and issued to the respective nominee(s) of the subscriber(s) at a price of HK$0.10 per consideration share and the consideration for the issue of such consideration shares have been used to set off against the outstanding sum of HK$54,369,460.93 and HK$44,856,480.44 owed by the Company to the respective subscriber(s) accordingly.

For details, please refer to the announcements of the Company dated 20 June 2017 and 7 July 2017.

Share Consolidation

Pursuant to an ordinary resolution passed on 4 September 2017, the share consolidation resolution was approved by the shareholders in the special general meeting with effective date from 5 September 2017, every eight (8) of the existing issued ordinary shares of HK$0.01 each in the share capital of the Company were consolidated into 1 consolidated share having a par value of HK$0.08 per shares.

For details, please refer to the announcement and circular of the Company dated 3 July 2017, 8 August 2017 and 4 September 2017 respectively.