Titan Petrochemicals Group Limited

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

INTERIM REPORT 2020

DIRECTORS

Executive Director

Mr. Zhang Qiandong

Non-executive Directors

Mr. Lai Wing Lun (Chairman)
Mr. Osman Mohammed Arab
Ms. Meng Ke Xin (Resigned on 15 May 2020)

Independent Non-executive Directors

Mr. Lau Fai Lawrence
Mr. Sun Feng
Mr. Cheung Hok Fung Alexander

AUDIT COMMITTEE

Mr. Cheung Hok Fung Alexander (Chairman)
Mr. Lau Fai Lawrence
Mr. Sun Feng
Mr. Lai Wing Lun

REMUNERATION COMMITTEE

Mr. Sun Feng (Chairman)
Mr. Lau Fai Lawrence
Mr. Lai Wing Lun

NOMINATION COMMITTEE

Mr. Sun Feng (Chairman)
Mr. Lau Fai Lawrence
Mr. Lai Wing Lun

COMPANY SECRETARY

Mr. Wong Chi Shing

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 802, 8/F.
OfficePlus @Wanchai
No. 303 Hennessy Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

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

AUDITORS

Asian Alliance (HK) CPA Limited

SOLICITORS

Michael Li & Co.
Shanghai Qixin Law Firm

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

http://www.petrotitan.com

STOCK CODE

1192

FINANCIAL REVIEW

The Group is principally engaged in the business of shipbuilding, ship-repairing, manufacturing of steel structure and the trading of bulk commodities.

For the six months ended 30 June 2020 (the "**Period**"), the unaudited consolidated revenue of the Group was approximately HK$71,546,000, whereas the unaudited consolidated revenue of the Group was approximately HK$105,575,000 for the six months ended 30 June 2019 (the "**Comparative Period**").

During the Period, the Group did not record revenue on trading of bulk commodities (HK$74,245,000 for the Comparative Period). Revenue of approximately HK$71,546,000 was generated from shipbuilding, ship-repairing and manufacturing of steel structure during the Period (HK$31,330,000 for the Comparative Period).

During the Period, the Group recorded other income of approximately HK$4,917,000 (HK$4,014,000 for the Comparative Period). The Group received rental income from renting out part of the factory building and dock anchorage in the People's Republic of China ("**PRC**") of approximately HK$2,419,000 during the Period. The other income for the Comparative Period was mainly due to the government subsidies from the scrap return in PRC of approximately HK$1,818,000 during the first half of year 2019. The Group recorded other gain of approximately HK$1,390,000 during the Period, whereas the other gain of the Group was approximately HK$13,639,000 for the Comparative Period. For the Comparative Period, the amount mainly represented the fair value gain on the investment property in PRC.

The Group's general and administrative expenses decreased from approximately HK$56,840,000 for the Comparative Period to approximately HK$14,668,000 for the Period, mainly because of the decrease in employees cost of approximately HK$13,962,000 and depreciation of property, plant, equipment and right-of-use assets of approximately HK$31,022,000 comparing to the Comparative Period. The Group will keep monitoring the general and administrative expenses in order to enhance the operational efficiency of the Group.

Finance costs for the Period was approximately HK$22,516,000, representing mainly the interests of bank and other loans amounting to approximately HK$11,594,000 and interest due to Titan preferred shares to approximately HK$7,303,000.

During the Period, the Group recorded loss attributable to owners of the Company of approximately HK$12,196,000 (loss of HK$120,121,000 for the Comparative Period). The decrease in loss attributable to the owners of the Company in the Period was mainly due to the decrease in finance costs approximately HK$72,307,000 of the loan interest which the loan interest no longer accrued during the Period owing to the deconsolidation of the ex-subsidiary of Titan Quanzhou Shipyard Company Limited ("**TQS**").

Besides that, the general and administrative expenses of the Company were closely monitored and hence those costs were gradually decreased. The decrease of such costs and expenses was mainly resulted from the decrease of employees cost and rent and rate. The Group will continue to adopt cost-saving measures to maximize the return.

The basic and diluted loss per share was approximately HK0.99 cents for the Period, and the basic loss per share was approximately HK9.76 cents (restated) for the Comparative Period.

As at 30 June 2020, the cash and cash equivalents of the Group amounted to approximately HK$1,647,000, representing a decrease of approximately HK$1,809,000 as compared with the cash and cash equivalents of approximately HK$3,456,000 as at 31 December 2019. The decrease of cash and cash equivalents was mainly resulted from the operations of shipyard factories and Hong Kong office. The Group will strive to seek for different means to strengthen the financial position.

BUSINESS REVIEW

The Group is principally engaged in the business of shipbuilding, ship-repairing and manufacturing of steel structure and also trading of commodities.

Revenue of the Group for the Period was approximately HK$71,546,000, which was mainly attributable to the income from the shipbuilding, ship-repairing and manufacturing of steel structure same as the same period of last year. The Group recorded loss attributable to owners of the Company of approximately HK$12,196,000 for the Period, as compared to the loss attributable to owners of the Company of approximately HK$120,121,000 for the same period of last year.

SHIPBUILDING, SHIP-REPAIRING AND MANUFACTURING OF STEEL STRUCTURE

Although the long-term continued downturn in the shipping market and the overcapacity of domestic shipbuilding have resulted in weak market demand for new ships, however, the Group continues to transform and upgrade its business and optimize its management structure, in the face of adversity, the shipbuilding business has maintained steady and progressive and made it one of the main sources of income for the Group.

In March 2020, 江蘇炯強海洋裝備有限公司 ("**Jiangsu Jiongqiang**"), an indirectly wholly-owned subsidiary, entered into a strategic cooperation partner agreement (the "**Strategic Cooperation Agreement**") with 中交二航局結構工程有限公司 ("**CSSEC**"). According to the Strategic Cooperation Agreement, Jiangsu Jiongqiang and CSSEC will jointly develop the steel structure market in the middle and lower reaches of the Yangtze River. Jiangsu Jiongqiang will be preferential in having suitable steel structure projects in the middle and lower reaches of the Yangtze River. The Group will put more resources on manufacturing of steel structure in order to promote the business on manufacturing of steel structure and increase the revenue significantly.

In the first half of 2020, 江蘇宏強船舶重工有限公司 ("**OPCO**") successfully delivered a bulk carrier with an energy capacity of 59,990 DWT ("**DWT**") of which, the accumulated contract amount is RMB59,000,000. After the delivery of the bulk carrier, OPCO has signed another contract processing supplied materials with the ship owner for the same series of ships, and construction started in August 2020. During the Period, OPCO manufactured four stainless steel chemical tankers with a carrying capacity ranging from approximately 3,500 DWT to 5,500 DWT of which the total contract values were approximately RMB32,000,000. Among them, one had been successfully delivered in July 2020, two had been launched and delivery is expected in the second half of 2020, and another one will be expected for launch in the second half of 2020. In addition, the number of steel structure businesses of Jiangsu Jiongqiang are progressing steadily, and the number of steel structure orders had been signed on the basis of completing the old orders.

As of the date of this report, the valid purchase orders of OPCO and Jiangsu Jiongqiang are as follow: (1) processing imported materials for a bulk carrier with a carrying capacity of around 60,000 DWT; (2) processing imported materials for three stainless steel ships; (3) seven steel structure business projects; and (4) other businesses (including terminal leasing services).

QUANZHOU LAND

As previously disclosed, the Group has started the comprehensive construction and development of a piece of land located in Quanzhou City, Fujian Province, China (listed as an "investment property" in the condensed consolidated financial statement). The planned land area is 26,000 square meters, and the capacity building area is about 75,000 square meters. According to the plan, an office building, two dormitories and a commercial podium will be built. The Group obtained a construction planning permit from the Chinese government in April 2019 and a construction start permit in June 2019. After sourcing and selecting contractors through the bidding procedure, the Group had successfully kicked off various construction.

BULK COMMODITY TRADING

Affected by the COVID-19, the bulk commodity trading market sinks into depression situation in the first half of this year. As there are few market opportunities, the Group did not conduct bulk commodity trading during the Period due to the consideration of fund safety. The Group expects to resume the bulk commodity trading business at an appropriate time in the second half of this year, while ensuring the safety of funds.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group's net liabilities amounted to approximately HK$796.6 million, compared to net liabilities amounted to approximately HK$852.3 million as at 31 December 2019.

The Group financed its operations mainly through the loans from the banks and other independent lenders, convertible bonds and convertible preferred shares. As at 30 June 2020, the Group had:

- cash and bank balances of approximately HK$1,647,000 (31 December 2019: HK$3,456,000). These balances were comprised of:
  - an equivalent of approximately HK$155,000 (31 December 2019: HK $168,000) denominated in US dollars ("**USD**");
  - an equivalent of approximately HK$1,000 (31 December 2019: HK$1,000) denominated in Singapore dollars ("**SG$**");
  - an equivalent of approximately HK$1,131,000 (31 December 2019: HK$3,204,000), 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; and
  - approximately HK$360,000 (31 December 2019: HK$83,000) ("**HK$**").
- bank and other loans of approximately HK$285.0 million (31 December 2019: HK$284.4 million). The Group's bank and other loans having maturity within one year amounted to approximately HK$230.5 million (31 December 2019: HK$284.4 million); and
- convertible bond issued by the Company with liability portion of HK$7.9 million (31 December 2019: HK$ Nil); and
- convertible preferred shares issued by the Company with liability portion of approximately HK$430.6 million (31 December 2019: HK$423.3 million).

CHARGES ON ASSETS

The Group's banking and other facilities, were secured or guaranteed by the Group's property, plant and equipment, prepaid land lease payments, corporate guarantees executed by the subsidiaries of the ultimate holding company, and personal guarantees executed by a related party and a former director of the Company.

GEARING RATIO

The Group's current ratio was 0.17 (31 December 2019: 0.08). The gearing ratio of the Group, calculated as the loans from a related party and bank and other loans divided by total assets, was 0.67 (31 December 2019: 0.86).

CAPITAL EXPENDITURES AND COMMITMENTS

During the Period, there was capital expenditure of approximately HK$1,032,000 relating to the acquisition of property, plant and equipment (HK$Nil for Comparative Period).

During the Period, the Group did not dispose any property, plant and equipment (HK$47,000 for Comparative Period).

As at 30 June 2020, capital expenditure commitment contracted but not provided for was approximately HK$237,036,000 (31 December 2019: HK$233,962,000).

PROSPECTS

In the second half of 2020, China's shipbuilding industry will still face problems such as insufficient market demand, overcapacity and fierce competition. Despite the challenging business landscape, the Group still persists in expanding its core business in adversity. The Group reviews the shipbuilding and offshore engineering business from time to time, optimizes the Group's business portfolio in a timely manner, and formulates appropriate measures to save costs and improve efficiency. The Group will also continue to transform, upgrade and diversify its shipyard business, and optimize its management structure to meet market demand and future challenges. The Group firmly believes that OPCO/Jiangsu Jiongqiang will bring stable income and competitive advantages to the Group by virtue of its good geographical location, excellent customer service, competitive pricing, and excellent quality of the ships delivered in the past.

Although the bulk commodity trading business was not carried out in the first half of 2020, the Company will still actively apply its rich experience and allocate resources in the commodity trading industry. The Group is negotiating with customers and winning trade orders with lower risks and larger amounts, with a view to resuming the commodity trading business in the second half of 2020.

In order to achieve the above objectives, the Board will seek various financial means to reinforce the equity of the Group, so as to lay a solid foundation for the continuous development of the Group's main business and the improvement of profitability. Looking ahead, the Group will rely on the professional knowledge and strategic leadership of the management to seize potential business opportunities in a challenging environment so that the Group can target new profit growth indicators for its business and bring to shareholders and investors the greatest return possible.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Group had no material acquisitions, disposals and significant investment during the Period.

LITIGATIONS

For details of the litigations of the Company, please refer to note 19 of the notes to the condensed consolidated financial statements under the section of "Litigation and Contingent Liabilities" in this report.

CAPITAL STRUCTURE

For details of the capital structure of the Company, please refer to note 16 of the notes to the condensed consolidated financial statements under the section of "Share Capital" in this report.

CONVERTIBLE BONDS

(i) On 18 February 2020, the Company entered into the conditional Placing Agreement with Sino Capital Securities Limited ("**Sino Capital**"), pursuant to which Sino Capital has agreed to act as placing agent of the Company, on a best effort basis, for the purpose of arranging Placees for the two-year 5% coupon unlisted convertible bonds (the "**Convertible Bonds**") in principal amount of up to HK$10,000,000 to be issued by the Company in accordance with the terms of the Placing.

Completion of the Placing has taken place on 13 March 2020 and the Convertible Bonds in the principal amount of HK$4,000,000 have been issued to Mr. Yung Chi Man as the Placee in accordance with the terms and conditions of the Placing Agreement.

For details, please refer to the announcements of the Company dated 18 February 2020, 10 March 2020 and 13 March 2020.

(ii) On 18 February 2020, the Company entered into the conditional Placing Agreement with Merdeka Securities Limited ("**Merdeka**"), pursuant to which Merdeka has agreed to act as placing agent of the Company, on a best effort basis, for the purpose of arranging Placees for the Convertible Bonds in principal amount of up to HK$10,000,000 to be issued by the Company in accordance with the terms of the Placing.

Completion of the Placing has taken place on 23 March 2020 and the Convertible Bonds in the principal amount of HK$4,000,000 have been issued to Prime Wealth Capital Limited as the Placee in accordance with the terms and conditions of the Placing Agreement.

For details, please refer to the announcements of the Company dated 18 February 2020, 18 March 2020 and 23 March 2020.

FOREIGN EXCHANGE EXPOSURE

The Group operated in PRC and Hong Kong and primarily used RMB for the business in PRC and HK$ in Hong Kong. The Group was exposed to foreign exchange risk based on fluctuations between HK$ and RMB arising from its core operation in the PRC. 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 PRC. It would be difficult to adopt measures in order to hedge exchange risk of foreign currencies and the Group will minimise the adverse impact caused by loss from exchange as mentioned above.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had 111 employees (31 December 2019: 134), of which 108 employees (31 December 2019: 131) worked in PRC, all of which were from OPCO, Quanzhou shipyard, and Shanghai office, and 3 employees (31 December 2019: 3) were based in Hong Kong. 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 Period (Nil for Comparative Period).

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (Nil for the Comparative Period).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

As at 30 June 2020, the interests of the Directors and the chief executives of the Company in the shares and underlying shares 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 Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (the "**Model Code**") were as follows:

		Number of issued ordinary shares held			
Name of Director	**Capacity**	**Personal interests**	**Corporate interests**	**Total interests**	**Percentage of issued share capital**
Mr. Osman Mohammed Arab ("**Mr. Arab**")*(Note 1)*	Interest of a controlled corporation	—	594,735,244	594,735,244	48.35%
Mr. Zhang Qiandong ("**Mr. Zhang**")*(Note 2)*	Interest of a controlled corporation	—	219,972,916	219,972,916	17.88%
	Beneficial owner	2,696,250	—	2,696,250	0.22%

Notes:

1. Mr. Arab is jointly interested with Mr. Wong Kwok Keung, as joint and several liquidators of 榮龍國際投資有限公司 Fame Dragon International Investment Limited (in compulsory liquidation) ("**Fame Dragon**") in 594,735,244 ordinary shares of the Company owned by Fame Dragon and its related companies including Winford Hong Kong Investment Limited, Universal View Investments Limited, Fukmao Limited, Link Elite Limited, Wider Link Global Limited and Fast Luck Global Limited, representing approximately 48.35% of the total number of issued shares of the Company.

2. Sino Team Capital Development Limited ("**Sino Team**") is wholly owned under the name of Mr. Song Dehua, the shares of which are held under trust for Mr. Zhang. Mr. Zhang is interested in 219,972,916 ordinary shares of the Company through two controlled corporations, and is also beneficially interested in 2,696,250 ordinary shares of the Company, representing in aggregate approximately 18.10% of the total number of issued shares of the Company.

Save as disclosed above, as at 30 June 2020, none of the company's Directors and the chief executives of the Company or their respective associates had any other personal, family, corporate and other interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OF THE COMPANY

Save as disclosed under the heading "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company or Any Other Associated Corporations" above, at no time during the period under review were rights to acquire benefits by means of the acquisition of shares in the Company or any other body corporate granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was 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 OF THE COMPANY

At 30 June 2020, so far as was known to the Directors and the chief executives 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 Part XV of the SFO:

Shareholders	Capacity	Number of issued ordinary shares held	Number of issued convertible preferred shares held	Approximate percentage (%) of shareholding
GZE and parties acting in concert *(Note 1)*	Corporate Interest	590,639,046	69,375,000	48.01%/1.10%
Sino Team *(Note 2)*	Corporate Interest	197,916,666	—	16.09%
Mr. Zhang *(Note 2)*	Beneficial Interest Corporate Interest	2,696,250 219,972,916	— —	0.22% 17.88%
Mr. Arab *(Note 3)*	Corporate Interest	594,735,244	—	48.35%
Mr. Wong Kwok Keung ("**Mr. Wong**") *(Note 3)*	Corporate Interest	594,735,244	—	48.35%

Notes :

1. Fame Dragon (in compulsory liquidation) is directly, wholly and beneficially owned by 廣東振戎(香港)有限公司 (Guangdong Zhenrong (Hong Kong) Company Limited (in compulsory liquidation)) ("**Guangdong Zhenrong HK**"), which is directly, wholly and beneficially owned by 廣東振戎能源有限公司 (Guangdong Zhenrong Energy Co., Ltd.* (in compulsory liquidation)) ("**GZE**").

   As disclosed in our announcements dated 5 May 2017 and 13 March 2018 respectively, Mr. Arab and Mr. Wong, both of RSM Corporate Advisory (Hong Kong) Limited, were appointed as the joint and several liquidators of Fame Dragon as per a winding up petition filed by Zhenrong Company Limited, an offshore subsidiary of 珠海振戎公司 (Zhuhai Zhenrong Company*) ("**Zhuhai Zhenrong**"). Zhuhai Zhenrong is the largest shareholder of GZE, which wholly owns Fame Dragon through its wholly owned subsidiary, Guangdong Zhenrong HK. Zhuhai Zhenrong and 海南利津投資有限公司 (Hainan Li Jin Investment Co. Ltd.*) ("**Hainan Li Jin**") were interested in 44.3% and 35% respectively in the share capital of GZE, and were deemed under the Securities and Futures Ordinance and 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.

   As disclosed in our announcements dated 18 July 2016 and 27 September 2017 respectively, GZE and its wholly-owned subsidiary Guangdong Zhenrong HK were ordered for winding up by the High Court of Hong Kong. The order was made according to the petitions filed by Industrial Bank Co., Ltd.. As disclosed in our announcement dated 25 June 2018, Mr. Arab and Mr. Wong, both of RSM Corporate Advisory (Hong Kong) Limited, were appointed as the joint and several liquidators of Guangdong Zhenrong HK.

   The 69,375,000 convertible preferred shares of the Company became redeemable in accordance with the terms thereof on 15 July 2019 are currently held by an affiliated company of GZE.

2. Sino Team is wholly owned under the name of Mr. Song Dehua, the shares of which are held under trust for Mr. Zhang.

   Mr. Zhang is interested in 219,972,916 ordinary shares of the Company through two controlled corporations, and is also beneficially interested in 2,696,250 ordinary shares of the Company, representing in aggregate approximately 18.10% of the total number of issued shares of the Company.

3. Mr. Arab is jointly interested with Mr. Wong, as joint and several liquidators of Fame Dragon (in compulsory liquidation) in 594,735,244 ordinary shares of the Company owned by Fame Dragon and its related companies including Winford Hong Kong Investment Limited, Universal View Investments Limited, Fukmao Limited, Link Elite Limited, Wider Link Global Limited and Fast Luck Global Limited, representing approximately 48.35% of the total number of issued shares of the Company.

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any persons (other than the Directors and chief executives of the Company) who had any interests and short positions in the shares and underlying shares of the Company 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.

As disclosed in the announcement of the Company dated 15 March 2019, the Company received (i) a legal letter (the "**First Letter**") from a law firm acting on behalf of Capital Creation Holdings Limited ("**CCH**") containing a requisition (the "**Requisition**") of a special general meeting of the Company made by CCH on the basis of holding 10% or more of the paid-up capital of the Company (the "**Shareholding**") and (ii) a legal letter from another law firm acting on behalf of the joint and several liquidators of Fame Dragon International Investment Limited ("**Fame Dragon**") relating to the ownership of the said Shareholding as referred in the First Letter.

* *For identification purpose only*

The Company understands that there are fundamental disputes as to the ownership of the said Shareholding of the Company as referred to in the First Letter, which in turn affect the right to make such a Requisition. As such, the Company will take no action in respect of the Requisition at this stage until the ownership of the Shareholding have been determined by the courts in Hong Kong and/or Bermuda and the Company will seek further legal opinion on the Requisition thereafter

Further announcement(s) will be made as and when appropriate by the Company.

SHARE OPTION SCHEMES

A share option scheme (the "**2002 Share Option Scheme**") was approved and adopted by the then shareholders of the Company 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. The scheme limit under 2011 Share Option Scheme is refreshed and was approved and adopted by the shareholders of the Company at the annual general meeting 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. There was another share consolidation effective on 26 June 2020, 100,121,524 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 within the validity period of the scheme.

As at 30 June 2020, there were no share options remain outstanding under the 2002 Share Option Scheme and 2011 Share Option Scheme respectively. No share option was granted, exercised, cancelled or lapsed during the period.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2020.

CORPORATE GOVERNANCE

Compliance with Corporate Governance Code

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

In accordance to provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

On 31 May 2019, the Board resolved that the Board should be changed from a Co-chairmen system to a single chairman system. Mr. Lai Wing Lun had been re-elected as the Chairman of the Board immediately. Mr. Chen Bingyan had ceased to be Co-chairman of the Board. Mr. Chen Bingyan was removed on 27 June 2019.

The Company has no chief executive at the date of this report and will arrange for the appointment of chief executive of the Company as soon as practicable in order to fill the vacancy arising from the resignation of Mr. Tang Chao Zhang on 29 October 2018.

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.

Mr. Cheung Hok Fung Alexander and Mr. Sun Feng, the independent non-executive Directors, and Mr. Lai Wing Lun, the non-executive Director, were unable to attend the annual general meeting of the Company held on 26 June 2020 and the special general meeting of the Company on 26 June 2020 as they had other engagements.

In accordance to provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Lai Wing Lun, the chairman of the Board was unable to attend the annual general meeting of the Company held on 26 June 2020 as he had other engagements.

In accordance to the code provision A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. The Company has no appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company in force as at the date of this report. The Company will arrange for appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company as soon as practicable.

Change of Directors and Chief Executives

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of Directors and chief executives of the Company are as follows:

- Ms. Meng Ke Xin resigned as a non-executive Director with effect from 15 May 2020.

Save as disclosed above, the Directors are not aware of any other change in the information of Directors and chief executives of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the date of this report.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to 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 enquiries to all Directors, confirmed that all Directors have complied with the required standard of dealings set out therein throughout the Period.

Audit Committee

As at the date of this report, the Audit Committee of the Company (the "**Audit Committee**") consists of three independent non-executive Directors, namely Mr. Cheung Hok Fung Alexander, Mr. Lau Fai Lawrence and Mr. Sun Feng and one non-executive Director, namely Mr. Lai Wing Lun. The Audit Committee is chaired by Mr. Cheung Hok Fung Alexander who is a barrister practicing in Hong Kong, a certified public accountant in Hong Kong and a chartered accountant in Australia and New Zealand. The Audit Committee had 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 Period, and was of the opinion that such statements complied with the applicable accounting standards and the Listing Rules and that adequate disclosures had been made.

For the details of Audit Committee's duties and powers, please refer to the announcement of the Company under the section of "Duties and Powers" of the Terms of Reference of Audit Committee of the Company dated 11 March 2019.

By Order of the Board

Zhang Qiandong
Executive Director

31 August 2020

	Notes	Six months ended 30 June 2020 (Unaudited) HK$'000	2019 (Unaudited) HK$'000
Revenue	3	**71,546**	105,575
Cost of sales		**(52,865)**	(97,340)
Gross profit		**18,681**	8,235
Other income		**4,917**	4,014
Other gain	4	**1,390**	13,639
Share of results of associates		**—**	(167)
General and administrative expenses		**(14,668)**	(56,840)
Gain on deconsolidation of a subsidiary		**—**	14,439
Finance costs	5	**(22,516)**	(100,437)
Loss before tax	6	**(12,196)**	(117,117)
Income tax expense	7	**—**	(3,410)
Loss for the period		**(12,196)**	(120,527)
Loss for the period attributable to:			
Owners of the Company		**(12,196)**	(120,121)
Non-controlling interests		**—**	(406)
		(12,196)	(120,527)
LOSS PER SHARE	9		(Restated)
— Basic and diluted		**(HK0.99 cents)**	(HK9.76 cents)

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

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period	**(12,196)**	(120,527)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**51,879**	11,376
Other comprehensive income for the period, net of tax	**51,879**	11,376
Total comprehensive profit/(loss) for the period	**39,683**	(109,151)
Total comprehensive profit/(loss) attributable to:		
Owners of the Company	**39,683**	(108,727)
Non-controlling interests	**—**	(424)
	39,683	(109,151)

	Notes	30 June 2020 (Unaudited) HK$'000	31 December 2019 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	10	**24,571**	25,220
Right-of-use assets		**3,709**	4,728
Investment property	11	**209,799**	207,835
Interests in associates		**480**	480
		238,559	238,263
Current assets			
Inventories		**40,214**	13,448
Trade receivables	12	**39,569**	27,673
Prepayments, deposits and other receivables		**115,660**	48,824
Bank balances and cash		**1,647**	3,456
		197,090	93,401
Current liabilities			
Trade payables	13	**102,833**	89,987
Other payables and accruals		**351,272**	333,097
Bank and other loans	14	**230,490**	284,381
Interest payable of bank and other loans		**10,206**	7,189
Lease liabilities		**130**	138
Loans from a related party		**5,500**	5,950
Liabilities portion of convertible preferred shares	15	**430,635**	423,332
		1,131,066	1,144,074
Net current liabilities		**(933,976)**	(1,050,673)
Total assets less current liabilities		**(695,417)**	(812,410)

	Notes	30 June 2020 (Unaudited) HK$'000	31 December 2019 (Audited) HK$'000
Non-current liabilities			
Other loans	14	**54,516**	—
Convertible bonds		**7,879**	—
Lease liabilities		**333**	333
Deferred tax liabilities		**38,475**	39,578
		101,203	39,911
Net liabilities		**(796,620)**	(852,321)
CAPITAL AND RESERVES			
Share capital	16	**12,301**	393,645
Deficits	17	**(808,923)**	(1,245,968)
Equity attributable to owners of the Company		**(796,622)**	(852,323)
Non-controlling interests		**2**	2
Total deficits		**(796,620)**	(852,321)

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

	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	**Asset revaluation reserve** HK$'000	**PRC statutory reserve** HK$'000	**Exchange reserve** HK$'000	**(Accumulated losses)/ Retained profits** HK$'000	**Subtotal** HK$'000	**Non-controlling interest** HK$'000	**Total** HK$'000
At 1 January 2019 (Audited)	393,645	4,834,143	18,261	—	108,105	175	254,029	(7,865,188)	(2,256,830)	13,041	(2,243,789)
Loss for the period	—	—	—	—	—	—	—	(120,121)	(120,121)	(406)	(120,527)
Other comprehensive income	—	—	—	—	—	—	11,394	—	11,394	(18)	11,376
Total comprehensive income/(loss)	—	—	—	—	—	—	11,394	(120,121)	(108,727)	(424)	(109,151)
At 30 June 2019 (Unaudited)	393,645	4,834,143	18,261	—	108,105	175	265,423	(7,985,309)	(2,365,557)	12,617	(2,352,940)
As at 1 January 2020 (Audited)	**393,645**	**4,834,143**	**18,261**	**—**	**108,105**	**—**	**(7,891)**	**(6,198,586)**	**(852,323)**	**2**	**(852,321)**
Loss for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(12,196)**	**(12,196)**	**—**	**(12,196)**
Other comprehensive income for the period											
Exchange differences arising on translation of foreign operations	**—**	**—**	**—**	**—**	**—**	**—**	**51,879**	**—**	**51,879**	**—**	**51,879**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**51,879**	**(12,196)**	**39,683**	**—**	**39,683**
Issue of convertible bonds	**—**	**—**	**—**	**236**	**—**	**—**	**—**	**—**	**236**	**—**	**236**
Capital reorganisation	**(381,344)**	**—**	**—**	**—**	**—**	**—**	**—**	**397,126**	**15,782**	**—**	**15,782**
As at 30 June 2020 (Unaudited)	**12,301**	**4,834,143**	**18,261**	**236**	**108,105**	**—**	**43,988**	**(5,813,656)**	**(796,622)**	**2**	**(796,620)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash used in operating activities	**(10,333)**	(6,955)
Cash flows from investing activities		
Interest received	**2**	1
Purchase of property, plant and equipment	**(1,032)**	—
Net cash (used in)/generated from investing activities	**(1,030)**	1
Cash flows from financing activities		
Payment to a related party	**(450)**	—
Proceed from convertible bonds	**8,000**	—
Interest paid	**(4,645)**	(1,692)
Drawdown of bank loans	**6,347**	—
Repayment of other loan	**(280)**	—
Net cash generated from/(used in) financing activities	**8,972**	(1,692)
Net decrease in cash and cash equivalents	**(2,391)**	(8,646)
Cash and cash equivalents as at 1 January	**3,456**	11,305
Effect of foreign exchange rate changes, net	**582**	(298)
Cash and cash equivalents at 30 June	**1,647**	2,361

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard (the "**HKAS**") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

The unaudited condensed consolidated financial statements for the six months ended 30 June 2020 do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2 below.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value and are presented in Hong Kong Dollars and all values are rounded to the nearest thousand except when otherwise indicated. The functional currency of the Group is Renminbi and the presentation currency is Hong Kong Dollars.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

For the six months ended 30 June 2020, the Group have applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant to the Group for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the above amendments to HKFRSs for the six months ended 30 June 2020 has had no material effect on the amounts reported in the unaudited condensed consolidated financial statements and/or disclosures set out in the unaudited condensed consolidated financial statements. The Group has not applied any new standard or amendment that is not effective for the current accounting period.

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

For management purposes, the Group identifies its business units based on their products and services and is principally engaged in (a) shipbuilding, ship-repairing and manufacturing of steel structure; and (b) trading of commodities.

The management monitors the results of its operating segments separately for the purposes of making decisions about resource allocations and performance assessments. Segment results represent the profit or loss before tax from continuing operations before taking into account interest income from bank and loan, other income and loss, unallocated expenses (including general and administrative costs) and finance costs.

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

The accounting policies of the operating segments are same as the Group's accounting policies described in the Company's annual report for the year ended 31 December 2019.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices. No intersegment sales was generated for the Period (2019: Nil).

The following tables present the unaudited segment information for the six months ended 30 June 2020 and 2019.

Six months ended 30 June 2020

	Shipbuilding, ship-repairing and manufacturing of steel structure HK$'000	Trading of commodities HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment revenue				
— Revenue from external customers	71,546	—	—	71,546
Segment results	17,100	—	—	17,100
Adjusted for:				
— Interest income	2	—	—	2
— Other income	4,833	—	82	4,915
— Other expenses	(5,346)	(210)	(7,531)	(13,087)
	16,589	(210)	(7,449)	8,930
Add: Depreciation and amortisation	1,809	109	63	1,981
Operating profit/(loss) before interest, tax, depreciation and amortisation	18,398	(101)	(7,386)	10,911
Gain on disposal of subsidiaries	1,000	—	390	1,390
Fair value gain on investment property	—	—	—	—
(Loss)/profit before interest, tax, depreciation and amortisation	19,398	(101)	(6,996)	12,301
Depreciation and amortisation	(1,809)	(109)	(63)	(1,981)
Finance costs	(4,733)	—	(17,783)	(22,516)
Profit/(loss) before tax	12,856	(210)	(24,842)	(12,196)

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

Six months ended 30 June 2019

	Shipbuilding, ship-repairing and manufacturing of steel structure HK$'000	Trading of commodities HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment revenue				
— Revenue from external customers	31,330	74,245	—	105,575
Segment results	8,644	(409)	—	8,235
Adjusted for:				
— Interest income	1	—	—	1
— Other income	3,333	679	1	4,013
— Other expenses	(44,485)	(4,846)	(7,509)	(56,840)
	(32,507)	(4,576)	(7,508)	(44,591)
Add: Depreciation and amortisation	32,846	116	41	33,003
Operating profit/(loss) before interest, tax, depreciation and amortisation	339	(4,460)	(7,467)	(11,588)
Share results of associated companies	—	(89)	(78)	(167)
Deconsolidation of a subsidiary	—	—	14,439	14,439
Fair value gain on investment property	—	—	13,639	13,639
(Loss)/profit before interest, tax, depreciation and amortisation	339	(4,549)	20,533	16,323
Depreciation and amortisation	(32,846)	(116)	(41)	(33,003)
Finance costs	(84,858)	(7,304)	(8,275)	(100,437)
(Loss)/profit before tax	(117,365)	(11,969)	12,217	(117,117)

4. OTHER GAIN

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Fair value gain on investment property *(Note 11)*	**—**	13,639
Gain on disposal of subsidiaries, net	**1,390**	—
	1,390	13,639

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interests on:		
Bank and other loans	**11,594**	20,826
Loan from the ultimate holding company	**—**	72,307
Titan Preferred Shares	**7,303**	7,304
Other payables	**3,499**	—
Convertible bonds	**115**	—
Lease liabilities	**5**	—
	22,516	100,437

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging the amounts as set out below:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Employee benefits expenses (excluding directors' remuneration):		
Wages and salaries	**2,178**	15,013
Pension scheme contributions	**121**	1,248
	2,299	16,261
Auditors' remuneration	**731**	490
Depreciation of property, plant and equipment	**1,883**	31,641
Depreciation of right-of-use assets	**98**	1,362

7. INCOME TAX EXPENSE

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

Hong Kong

No provision for Hong Kong profits tax has been made as the subsidiaries of the Group did not generate any assessable profits in Hong Kong for the Period (HK$Nil for the Comparative Period).

Singapore

No provision for taxation has been made as the subsidiaries of the Group in Singapore did not generate any assessable profit for the Period (HK$Nil for the Comparative Period).

Mainland China

Under the Law of 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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax	—	—
Deferred taxation	—	(3,410)
	—	(3,410)

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Period (Nil for the Comparative Period).

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(12,196)**	(120,121)
Effect of dilutive potential ordinary shares: Dividends on Titan preferred shares *(note)*	**—**	—
Loss for the period attributable to owners of the Company for the purpose of diluted loss per share	**(12,196)**	(120,121)

Number of shares

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
		(Restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,230,140,015**	1,230,140,015

Note:

The computation of diluted loss per share for the six months ended 30 June 2020 and 2019 does not assume the conversion of the Company's outstanding convertible preferred shares since their assumed exercise would result in a decrease in loss per share.

10. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment with amount of around HK$1,032,000 (HK$Nil for the Comparative Period).

During the Period, the Group did not dispose any property, plant and equipment (HK$47,000 for the Comparative Period).

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 the PRC.

At 30 June 2020, the investment property under the condensed consolidated statement of financial position with an aggregate net carrying value of approximately HK$209,799,000 (31 December 2019: HK$207,835,000) was pledged to secure the 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 status with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets. The fair value of the Group's investment property as at 30 June 2020 has been arrived at on the basis of a valuation carried out on the respective dates by Ravia Global Appraisal Advisory Limited (31 December 2019: Prudential Surveyors (Hong Kong) 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 was no transfer among Level 1, Level 2, and Level 3.

The person in charge of the valuation report is a member of The Hong Kong Institute of Surveyors. The valuation was performed in accordance with "The HKIS Valuation Standards 2017 Edition" published by The Hong Kong Institute of Surveyors.

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 120 days. Efforts are made to maintain strict control over outstanding receivables and overdue balances are reviewed regularly by the management. The management of the Group was of the opinion that provision for impairment was necessary in respect of these balances as there had been a significant change in credit quality.

	30 June 2020 (Unaudited) HK$'000	31 December 2019 (Audited) HK$'000
Contracts with customers	**183,324**	191,251
Less: Allowance for credit losses	**(143,755)**	(163,578)
	39,569	27,673

12. TRADE RECEIVABLES (CONTINUED)

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

	30 June 2020 (Unaudited) HK$'000	31 December 2019 (Audited) HK$'000
0–90 days	**35,246**	26,046
91–180 days	**2,998**	943
181–365 days	**1,325**	684
	39,569	27,673

13. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date:

	30 June 2020 (Unaudited) HK$'000	31 December 2019 (Audited) HK$'000
0–90 days	**45,160**	28,695
91–180 days	**7,680**	354
181–365 days	**8,505**	1,371
Over one year	**41,488**	59,567
	102,833	89,987

14. BANK AND OTHER LOANS

Bank and other loans are interest-bearing with fixed and floating interest rates ranging from 5.22% to 9.76% per annum. As at 30 June 2020, the Group's bank and other loans having maturities within one year and over one year amounted to approximately HK$230.5 million and HK$54.5 million respectively (31 December 2019: HK$284 million and HK$Nil respectively).

15. CONVERTIBLE PREFERRED SHARES

In 2007, the Company issued 555,000,000 convertible preferred shares (the "**Titan Preferred Shares**") at the stated value of HK$0.56 per share. The fair value of the liability portion of the Titan Preferred Shares was estimated at the issuance date. On 5 September 2017, the Company's every eight issued and unissued existing share of HK$0.01 each be consolidated into one consolidated share of HK$0.08 each. The adjusted number of convertible preferred shares after the share consolidation was 69,375,000 at the date of this report.

On 4 July 2012, Saturn Petrochemical Holdings Limited ("**SPHL**") served a notice to redeem all of the Company's outstanding 555,000,000 preferred shares (adjusted number of convertible preferred share: 69,375,000) 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.

As disclosed in the Company's announcements dated 28 May 2015, 7 August 2015, 5 November 2015 and on 28 May 2015, 30 July 2015, 16 October 2015, 5 May 2016 and 29 April 2016, the Company and SPHL agreed to extend the long stop date for the satisfaction of certain conditions to 31 July 2015, 31 August 2015, 30 April 2016 and 31 August 2016 respectively in relation to the redemption.

The convertible preferred shares became redeemable in accordance with the terms thereof on 15 July 2019.

16. SHARE CAPITAL

	30 June 2020		31 December 2019	
	Number of shares	**Nominal value of shares HK$'000**	Number of shares	Nominal value of shares HK$'000
Authorised:				
Ordinary shares of HK$0.08 each	**—**	**—**	10,000,000,000	800,000
Ordinary shares of HK$0.01 each *(note a)*	**80,000,000,000**	**800,000**	—	—
Convertible preferred shares of HK$0.08 each	**69,375,000**	**5,550**	69,375,000	5,550
Issued and fully paid:				
Ordinary shares of HK$0.08 each	**—**	**—**	4,920,560,060	393,645
Ordinary shares of HK$0.01 each *(note a)*	**1,230,140,015**	**12,301**	—	—
Convertible preferred shares of HK$0.08 each	**69,375,000**	**5,550**	69,375,000	5,550

Note:

a) by a special resolution passed by the shareholders at special general meeting held on 26 June 2020, the Company's every four (4) existing shares will be consolidated into one (1) consolidated share. The issued share capital of the Company will be reduced by cancelling paid up capital of the Company to the extent of HK$0.31 on each of the then consolidated shares such that the par value of each issued Consolidated Share will be reduced from HK$0.32 to HK$0.01.

17. DEFICITS

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 bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds.

Share option reserve

The share option reserve comprises the fair value of the share options granted by the Company 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.

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.

Fair value through other comprehensive income reserve ("FVTOCI reserve")

The FVTOCI reserve of the Group, arose as a result of the fair value of equity investment classified as FVTOCI.

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.

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.

18. COMMITMENTS

Commitments for construction of investment properties in the PRC as at 30 June 2020 was HK$237,036,000 (31 December 2019: HK$233,962,000).

19. LITIGATION AND CONTINGENT LIABILITIES

a) British Virgin Islands ("BVI") and other Proceedings

(i) Sino Charm International Limited ("**Sino Charm**") has filed a winding up petition (the "**Petition**") dated 20 September 2019 with the Supreme Court of Bermuda (the "**Court**") for an order that the Company be wound up by the Court.

The Petition was heard before the Court on 25 October 2019, 14 November 2019, 13 December 2019 and 21 February 2020. The Court ordered that, among others, the substantive hearing of the Petition be adjourned to be fixed for a date after 17 April 2020 in consultation of the parties' availability with a time estimate of one day before the Honourable Chief Justice. The hearing is not expected to be resumed before the end of September 2020.

The Company has been seeking legal advice on the matter and there has not been any material adverse impact on the Company's daily operations as a result of the Petition.

For details, please refer to the announcements of the Company dated 17 July 2019, 25 September 2019, 4 October 2019, 28 October 2019, 18 November 2019, 16 December 2019, 6 March 2020 and 31 August 2020.

The Company is contesting the Petition on the basis that there is (at the very least) a bona fide dispute as to whether the Company is liable to Sino Charm as alleged and the Company has grounds to believe that the source of funding for the subscription of the HK$78 million convertible bonds by Sino Charm originated from within the Group.

The Company has commenced legal action to, amongst other things, obtain a declaration that the said convertible bonds are void as well as to seek damages against the former management and certain other relevant parties. The Company may commence further actions against former relevant parties.

For the avoidance of doubt, nothing herein shall constitute the waiver of any privilege whatsoever.

For details, please refer to the announcement of the Company dated 28 April 2020.

19. LITIGATION AND CONTINGENT LIABILITIES (CONTINUED)

b) PRC Proceedings

(i) 廣州華南石化交易中心有限公司 (Guangzhou Southern China Petrochemical Exchange Centre Co., Ltd.*) (the "**Southern China Petrochemical Exchange Centre**") was, a subsidiary of the Company in 2017, informed the Company that the Intermediate People's Court of Wuxi City in Jiangsu Province, the People's Republic of China had made an order to freeze 70% equity interest of Southern China Petrochemical Exchange Centre (the "**Freeze of Shares**"). The aforesaid 70% equity interest is beneficially owned by 石獅市益泰潤滑油脂貿易有限責任公司 Shishi Yitai Lubricants Youzhi Trading Co., Ltd.* ("**Shishi Yitai**"), a wholly-owned subsidiary of the Company. The total asset of Southern China Petrochemical Exchange Centre represented less than 5% of the total asset of the Group and its business was not the principal business of the Group.

For details, please refer to the announcement of the Company dated 26 September 2017. The Southern China Petrochemical Exchange Centre ceased to be a subsidiary of the Company since December 2019.

(ii) The Company has been informed that the People's Court of Hui'an County, Fujian Province of the PRC (惠安縣人民法院) has made a decision (the "**Decision**") dated 9 December 2019 to wind up TQS. TQS was an indirect wholly-owned subsidiary of the Company. The Hui'an Court has on 10 December 2019 ordered to set up 清算組 (Liquidation Group) in relation to the winding up of TQS.

For details, please refer to the announcements of the Company dated 27 November 2019 and 16 December 2019.

TQS has been deconsolidated from the Group as a result of the winding up of TQS.

c) Hong Kong Proceedings

In 2019, the Company commenced proceedings against some former management of Company in the Court of First Instance in Hong Kong under the case number HCA1930/2019. For more details, please refer to the announcement of the Company dated 28 April 2020.

Save for legal actions taken against the prior management and certain relevant parties, there was no Hong Kong proceeding as at 30 June 2020.