THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Titan Petrochemicals Group Limited (Provisional Liquidators appointed), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee, or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or any securities of Titan Petrochemicals Group Limited (Provisional Liquidators appointed).

Titan Petrochemicals Group Limited

(Provisional Liquidators appointed)

(Incorporated in Bermuda with limited liability)

(Stock Code: 1192)

(1) UPDATE ON DEBT RESTRUCTURING AND REMAINING INDEBTEDNESS ARRANGEMENTS
(2) INTERIM FINANCING ARRANGEMENTS
(3) PROPOSED OPEN OFFER
(4) SUBSCRIPTION OF SHARES AND WARRANTS
(5) UPDATE ON BUSINESS STRATEGIES AND DEVELOPMENT
(6) INCREASE IN AUTHORISED SHARE CAPITAL
(7) APPLICATION FOR WHITEWASH WAIVER
(8) SPECIAL DEAL
(9) AMENDMENT TO BYE-LAWS
AND
(10) NOTICE OF THE SGM

Financial adviser to Titan Petrochemicals Group Limited (Provisional Liquidators appointed)

Quam Capital 華富嘉洛企業融資

Independent Financial Adviser to the LR Independent Board Committee, the TC Independent Board Committee and the Independent Shareholders

Asian Capital (Corporate Finance) Limited 卓亞(企業融資)有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 22 to 134 of this circular.

A letter of recommendation from the LR Independent Board Committee and TC Independent Board Committee to Independent Shareholders is set out on pages 135 to 136 and pages 137 to 138 in this circular respectively.

A letter from the Independent Financial Adviser containing its advice to the LR Independent Board Committee, TC Independent Board Committee and the Independent Shareholders is set out on pages 139 to 184 of this circular.

A notice convening the SGM to be held at 4902, 49/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Monday, 22 June 2015 at 11:00 a.m. is set out on pages SGM-1 to SGM-10 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company at 4902, 49/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not prelude you from attending and voting in person at the SGM should you so wish.

29 May 2015

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In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

"2012 Senior Notes"	up to US$400 million 8.5% fixed rate guaranteed senior notes due 18 March 2012 issued by the Company
"2015 Loan Agreement"	the loan agreement entered into between the Company and Fame Dragon on 27 February 2015 in relation to the provision of an unsecured loan of US$10 million by Fame Dragon to the Company
"Act"	the Bermuda Companies Act 1981
"Announcement"	the announcement of the Company dated 19 May 2015 in relation to, among other things, (1) update on debt restructuring and remaining indebtedness arrangements; (2) interim financing arrangements; (3) proposed open offer; (4) subscription of shares and warrants; (5) update on business strategies and development; (6) increase in authorised share capital; (7) application for whitewash waiver; (8) special deal; and (9) appointment of independent financial adviser
"Application Form"	the application form to be used by the Qualifying Shareholders to apply for the Offer Shares
"associate(s)"	has the meaning ascribed to it under the Takeovers Code
"Assumption Agreement"	the assumption agreement dated 20 August 2014 entered into amongst Fame Dragon, the Company and TQS (as supplemented and amended on 15 September 2014, 27 February 2015 and 28 May 2015) pursuant to which Fame Dragon agrees to assume certain debts payable by TQS in consideration for the Company agreeing to allot and issue new Shares to Fame Dragon, subject to the compliance with any applicable requirements under the Listing Rules, at the issue price of HK$0.1 per Share
"Assumption Consideration Shares"	the Shares (subject to adjustment on any consolidation or sub-division of Shares) to be issued to Fame Dragon on the Assumption Date or within five (5) years thereafter in consideration of the assumption of the indebtedness to be assumed by Fame Dragon under the Assumption Agreement
"Assumption Date"	the business day immediately following the satisfaction of the conditions precedent of the Assumption Agreement

"Authorised Share Capital Increase"	the proposed increase in the authorised share capital of the Company to HK$805,550,000, divided into 80,000,000,000 ordinary shares of HK$0.01 each and 555,000,000 convertible preferred shares of HK$0.01 each by the creation of an additional 65,555,000,000 ordinary shares of HK$0.01 each
"Bermuda Court"	the Supreme Court of Bermuda
"Bermuda Proceedings"	the liquidation proceeding commenced pursuant to the winding up petition issued on 9 July 2012 by Saturn Petrochemical against the Company in Bermuda
"Board"	the board of Directors
"BVI"	British Virgin Islands
"BVI Court"	Eastern Caribbean Supreme Court in the High Court of Justice, BVI
"Bye-Laws"	the Bye-Laws of the Company
"Camden"	KTL Camden Inc., a company incorporated in the Republic of Liberia
"CGL Resources"	CGL Resources Ltd., a company incorporated with limited liability in Labuan, Malaysia and an indirect wholly-owned subsidiary of FEG
"CGL Resources Subscription"	the subscription by CGL Resources of 500,000,000 Shares and 500,000,000 Warrants to be issued by the Company pursuant to the CGL Resources Subscription Agreement
"CGL Resources Subscription Agreement"	the subscription agreement dated 5 May 2014 entered into by the Company and CGL Resources in relation to the CGL Resources Subscription
"Clearing Systems"	any or all of The Depositary Trust Company, Euroclear Bank, S.A./N.V. and Clearstream Banking, société anonyme as the case may be, and each of their respective nominees and successors, and any other system designed for similar or analogous purposes as appropriate
"Company"	Titan Petrochemicals Group Limited (Provisional Liquidators appointed), a company incorporated with limited liability in Bermuda whose shares are listed on the main board of the Stock Exchange (stock code: 1192)

"Companies Ordinance"	the Companies Ordinance (Cap 622) of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Creditors' Scheme"	the scheme of arrangement under section 99 of the Act entered into between the Company and the Scheme Creditors
"DBIL"	Docile Bright Investments Limited, a company incorporated in the BVI and a wholly-owned subsidiary of GZE, it became entitled to the benefit of all interests arising under or in connection with the Listco Preferred Shares
"Debt Rescheduling Agreements"	collectively, (i) the Shipyard Debt Rescheduling Agreement; (ii) the TPG Debt Rescheduling Agreement; and (iii) the Haixin Debt Rescheduling Agreement
"Debt Restructuring"	the restructuring of the indebtedness of the Company by way of the Creditors' Scheme
"Deed of Undertaking"	the deed of undertaking dated 9 April 2014 executed by GZE in favour of FELS and all members of FELS and all of its related corporations, pursuant to which GZE, *inter alia*, provides certain undertaking and guarantees to and for the benefit of FELS and all members of FELS and all of its related corporations
"Director(s)"	director(s) of the Company from time to time
"DWT"	deadweight tonnage
"EAF"	the excess application forms for the Qualifying Shareholders to apply for additional Offer Shares in accordance with the terms of the Open Offer
"Edinburgh"	Edinburgh Navigation S.A., a company incorporated in the Republic of Liberia
"Default Deadline 1"	the agreed deadline under the Second Loan Agreement for delivery of certain documents evidencing entry into legally binding agreements in support of the Debt Restructuring

"Default Deadline 2"	the agreed deadline under the Second Loan Agreement for receiving directions from the Bermuda Court to convene the meeting(s) of the Scheme Creditors for the purpose of approving the Creditors' Scheme
"Excess Liabilities"	the amount of the total indebtedness of the Restructured Group as at 31 January 2015 exceeds the amount set forth in the indebtedness statement of the Restructured Group as at 31 January 2015 and fall within the scope of limitations listed in the auditors' opinions on the financial statements of the Group for the year ended 31 December 2013
"Excluded Liability Threshold"	US$25,000 or its equivalent in any other currency in which the relevant claim or liability arises converted at the scheme rate
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Existing Notes"	collectively, (i) PIK Notes Due 2015; (ii) 2012 Senior Notes; and (iii) the Listco Convertible Notes
"Existing Notes Creditors"	persons with a beneficial interest as principal in the Existing Notes held in global form through the Clearing Systems of 17 October 2014
"Fame Dragon"	Fame Dragon International Investment Limited, the controlling Shareholder and a company incorporated in Hong Kong with limited liability which Fame Dragon has confirmed it is wholly-owned by Guangdong Zhenrong (Hong Kong) Company Limited which in turn is wholly-owned by GZE
"FEG"	Falcon Energy Group Limited, a company incorporated with limited liability in Singapore whose shares are listed on Singapore Exchange
"FELS"	FELS Offshore Pte Ltd, a company incorporated with limited liability in Singapore, a subsidiary of Keppel and the party to the Management Services Agreement
"FELS CBs"	convertible bonds offered by the Company to FELS in accordance with the terms of the Management Services Agreement to which FELS did not elect to be granted

"FELS Warrants"	warrants to subscribe for 9.9% of the total issued share capital of the Company after the completion of the Restructuring to be issued by the Company pursuant to the Management Services Agreement
"FELS Warrant Shares"	the new Shares to be allotted and issued by the Company upon the exercise of the subscription rights attaching to the FELS Warrants
"First Loan Agreement"	the loan agreement entered into between the Company and Fame Dragon on 12 March 2013 in relation to the provision of an interim financing of up to approximately HK$62.24 million by Fame Dragon to the Company
"First Wahen Investments Subscription Agreement"	the subscription agreement dated 5 May 2014 entered into by the Company and Wahen Investments in relation to the subscription by Wahen Investments of 1,800,000,000 Shares and 1,800,000,000 Warrants to be issued by the Company. The First Wahen Investments Subscription Agreement was superseded by the Wahen Investments Subscription Agreement
"FLNG"	floating liquefied natural gas vessel
"FPSO"	floating production, storage and offloading unit
"Frontline Settlement Agreement"	the agreement dated 2 May 2014 entered into among the Company, TSL (both as obligors) and Camden, Edinburgh and Mayfair (all as creditors) (as supplemented and amended on 29 October 2014)
"FSO"	floating storage and offloading vessel
"FSRU"	floating storage and regasification unit
"FTSD"	FTS Derricks Pte. Ltd., a company incorporated in Singapore and a subsidiary of FEG
"FTSD Purchase Order Framework Agreement"	the framework agreement dated 5 May 2014 entered into between the Company and FTSD in relation to the purchase orders FTSD conditionally agreed that it will or will procure to place with TQS
"Fujian Wonderful"	福建旺得福能源有限公司 (Fujian Wonderful Energy Co., Ltd.*), a company incorporated in the PRC, an Independent Third Party

"GCL Subscription Agreement"	the subscription agreement dated 11 December 2010 and entered into between the Company and Grand China Logistics in relation to the subscription by Grand China Logistics in cash of 500 million new Shares at the issue price of HK$0.61 per Share
"Grand China Logistics"	大新華物流控股(集團)有限公司 (Grand China Logistics Holding (Group) Company Limited*), a company incorporated under the laws of PRC with limited liability
"Group"	the Company and its subsidiaries
"GZE"	廣東振戎能源有限公司 (Guangdong Zhenrong Energy Co., Ltd*), a company incorporated in the PRC and the controlling Shareholder
"GZE Excess Liabilities Undertaking"	the deed poll dated 5 May 2014 executed by GZE in favour of the Company (as supplemented and amended by the supplemental agreements on 27 February 2015 and 28 May 2015)
"GZE Purchase Order MOU"	the memorandum of understanding dated 5 May 2014 (as supplemented and amended on 27 February 2015 and 28 May 2015) entered into between the Company and GZE in relation to the purchase order GZE conditionally agreed that it will or will procure to place with TQS
"Haixin Debt"	the total amount of debt obligations under the Haixin Debt Rescheduling Agreement
"Haixin Debt Rescheduling Agreement"	the debt rescheduling agreement dated 5 May 2014 entered into between Shengsi Haixin and GZE (as amended by supplemental agreements on 22 August 2014, 27 February 2015 and 28 May 2015)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong High Court"	the High Court of Hong Kong

"Independent Financial Adviser" or "Asian Capital"	Asian Capital (Corporate Finance) Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, the independent financial adviser appointed to advise the Independent Shareholders as well as the LR Independent Board Committee and the TC Independent Board Committee on, among other things, the Shipyard Debt Rescheduling Agreement, the Shipyard Termination Agreement, the Wahen Investments Subscription Agreement, the Open Offer, the Assumption Agreement, the Listco Preferred Shares Modification Deed, the Whitewash Waiver and the Special Deal
"Independent Shareholders"	Shareholders other than (i) GZE and parties acting in concert with it (including Fame Dragon); (ii) the Scheme Creditors; (iii) the Subscribers and their respective associates; and (iv) those who are interested in, or involved in, the Shipyard Debt Rescheduling Agreement, the Shipyard Termination Agreement, the Assumption Agreement, the Listco Preferred Shares Modification Deed, the Wahen Investments Subscription Agreement, the Underwriting Agreement, the Whitewash Waiver or the Special Deal
"Independent Third Party(ies)"	third party(ies) independent of the Company and its connected persons
"Information Agent"	Lynchpin Bondholder Management of Room 402, Wellington Plaza, 56-58 Wellington Street, Central, Hong Kong
"Keppel"	Keppel Corporation Limited, a company incorporated with limited liability in Singapore and whose shares are listed on the Singapore Exchange
"Keppel Group"	Keppel and its subsidiaries
"K-Line"	Kawasaki Kisen Kaisha Ltd., a company incorporated in Japan
"K-Line Notes"	the guaranteed exchangeable notes due 2013, issued by TSHL and guaranteed by the Company
"K-Line Settlement Agreement"	an agreement dated 8 October 2014 and entered into by the Company TSHL and K-Line

"K-Line Support Agreement"	the agreement dated 17 April 2014 entered into between the Company, TSHL and K-Line
"Last Acceptance Date"	20 July 2015, being the last date for acceptance of and payment for the Offer Shares
"Last Trading Day"	18 June 2012, being the last trading day of the Shares prior to its suspension on 19 June 2012
"Latest Practicable Date"	26 May 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Listco Convertible Notes"	up to US$118,575,360 guaranteed senior convertible notes due 13 July 2015 issued by the Company
"Listco Preferred Shares"	the 555,000,000 convertible redeemable preferred shares of HK$0.01 each at the initial conversion price of HK$0.56 issued by the Company
"Listco Preferred Shares Modification Deed"	the deed dated 22 August 2014 entered into between the Company and DBIL, a subsidiary of GZE, (as supplemented and amended on 27 February 2015 and 28 May 2015) in relation to, among others, the extension of the redemption period of the Listco Preferred Shares
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Rescheduling Agreements"	the loan rescheduling agreements (i) dated 24 July 2014 (as supplemented and amended on 6 May 2015), (ii) dated 21 August 2014 (as supplemented and amended on 6 May 2015 and (iii) dated 21 August 2014 (as supplemented and amended on 6 May 2015) entered into between TQS and Fujian Wonderful pursuant to which Fujian Wonderful agreed to reschedule certain bank loans of the Group assigned to it so that the first repayment date of the bank loans will be postponed until 3 years from the date of the respective Loan Rescheduling Agreement

"LR Independent Board Committee"	the independent committee of the Board comprising Mr. Foo Meng Kee, Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit, being all the independent non-executive Directors, formed to advise the Independent Shareholders on, among other matters, the Shipyard Debt Rescheduling Agreement, the Open Offer, the Shipyard Termination Agreement, the Wahen Investments Subscription Agreement, the Assumption Agreement and the Listco Preferred Shares Modification Deed
"Management Services Agreement"	the management services agreement dated 9 April 2014 entered into among FELS, TQS and the Company (as supplemented and amended on 30 December 2014 and 28 May 2015) pursuant to which FELS has conditionally agreed to provide management services for the operations of the Quanzhou Shipyard. Details of the Management Services Agreement are set out in the announcements of the Company dated 11 April 2014 and 5 January 2015
"Mayfair"	KTL Mayfair Inc., a company incorporated in the Republic of Liberia
"MODU"	a mobile offshore drilling unit
"Mr. Zhao"	Mr. Zhao Xu Guang, who is the chairman, the chief executive and an executive Director
"New Berkeley"	New Berkeley Corporation, a company incorporated with limited liability in the BVI and is owned as to 50% by each of Tan Pong Tyea and Cai Wenxing who are both directors and shareholders of FEG
"New Berkeley Subscription"	the subscription by New Berkeley of 800,000,000 Shares and 800,000,000 Warrants to be issued by the Company pursuant to the New Berkeley Subscription Agreement
"New Berkeley Subscription Agreement"	the subscription agreement dated 5 May 2014 entered into by the Company and New Berkeley in relation to the New Berkeley Subscription
"Non-Note Creditor"	any Scheme Creditor who is not an Existing Notes Creditor and whose claim arises in respect of non-note debt which is in excess of the Excluded Liability Threshold

"Non-Qualifying Shareholders"	Shareholders whose names appear on the register of members of the Company on the Record Date and whose addresses as shown on such register are outside Hong Kong where the Directors, based on the legal opinions to be provided by legal advisers, consider it necessary or expedient not to offer the Offer Shares to such Shareholders on account either of legal restrictions under the laws of the relevant place or requirements of the relevant regulatory body or stock exchange in that place
"Offer Shares"	the new Shares to be allotted and issued under the Open Offer
"Open Offer"	the open offer proposed to be put forward by the Company on the basis of one Offer Share for every two existing Shares held by the Qualifying Shareholders on the Record Date with issuance of the Warrants on the same terms as those being offered to the Subscribers for no additional consideration to the Qualifying Shareholders who take up the Offer Shares on the basis of one Warrant for one of Offer Share taken up as further described in the section headed "E. Proposed Open Offer"
"Open Offer Documents"	the Open Offer Prospectus, the Application Form and the EAF
"Open Offer Prospectus"	the prospectus to be issued by the Company to the Shareholders containing details of the Open Offer
"PBOC"	The People's Bank of China
"Percentage Ratios"	the percentage ratios set out in Rule 14.07 of the Listing Rules
"Petition Date"	9 July 2012, being the date that Saturn Petrochemical presented a winding-up petition against the Company in Bermuda.
"PIK Notes Due 2015"	up to US$21,444,480 8.5% guaranteed senior payment-in-kind notes due 13 July 2015 issued by the Company
"Posting Date"	the date as agreed between the Company and the Underwriter for the despatch of the Open Offer Documents

"PRC" or "China"	the People's Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan)
"Properties"	collectively (i) lands and various buildings located at No. 1 Shipyard Road, Jingfeng Town, Hui'an County, Quanzhou City, Fujian Province, the PRC and (ii) a parcel at Western side of Houzhu Port and Southern side of Beixing Community in Donghai Street, Fengze District, Quanzhou City, Fujian Province, the PRC held by the Group
"Provisional Liquidators"	Mr. Garth Calow and Ms. Alison Tomb, both of PricewaterhouseCoopers, the joint provisional liquidators of the Company
"Qualifying Shareholders"	Shareholders, other than the Non-Qualifying Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
"Quanzhou Shipyard"	a multi-functional shipbuilding and ship repair yard located in Quanzhou, Fujian Province, the PRC and owned by TQS
"Record Date"	the date by reference to which entitlements to the Open Offer are to be determined
"Release Date"	Subject to Clause 7.6 of the Creditors' Scheme, the earlier of: (i) the date on which scheme consideration is actually received by a Scheme Creditor; and (ii) the date 10 Business Days after the distribution date under the Creditors' Scheme, provided that the relevant Scheme Creditor has not given notice to the Company in writing within that period of time (in accordance with Clause 21 of the Creditors' Scheme) to advise that scheme consideration has not been received by that Scheme Creditor
"Remaining Indebtedness Arrangements"	the arrangements proposed to be adopted by the Company with respect to the outstanding indebtedness of the Group other than those that form part of the Scheme Claims to be restructured under the Creditors' Scheme as further described in the paragraph headed "C. Remaining Indebtedness Arrangements"

"Restructured Group"	the Company and its subsidiaries that will constitute the restructured group immediately after completion of the Restructuring
"Restructuring" or "Resumption Proposal"	the resumption proposal of the Company submitted to the Stock Exchange under the Practice Note 17 of the Listing Rules, in relation to the restructuring of the Company involving, among others, the restructuring of the debts by way of the Creditors' Scheme and Remaining Indebtedness Arrangements, the Open Offer of new Shares and Warrants to be made by the Company to its Shareholders, the subscription by certain investors of new Shares and Warrants issued by the Company and the issue of new Shares to the Company's controlling Shareholder to settle certain debts
"Restructuring Documents"	all documents, agreements and instruments necessary and/or desirable to implement and consummate the Restructuring in accordance with its terms, including, without limitation, the composite scheme of arrangement document setting out the terms of the Creditors' Scheme (including the explanatory statement in respect of the Creditors' Scheme)
"Resumption"	the resumption of trading in Shares on the Stock Exchange
"RMB"	Renminbi, the lawful currency of the PRC
"Saturn Petrochemical"	Saturn Petrochemical Holdings Limited, a company incorporated in BVI and the registered holder of the 555,000,000 Listco Preferred Shares as at the Latest Practicable Date
"Saturn Storage"	Saturn Storage Limited, a company incorporated in BVI
"Scheme Claim(s)"	all indebtedness arising out of the Existing Notes (including principal and accrued interest) and the Unsecured Claims, which shall be compromised and discharged under the Creditors' Scheme
"Scheme Creditor(s)"	all creditor(s) of the Company bound by the Creditors' Scheme

"Scheme Liabilities"	Any liability (other than an excluded liability under the Creditors' Scheme) or right in respect of the indebtedness or any other liability of the Company to any person arising directly or indirectly out of, in relation to or in connection with: (a) the note documentation and/or the Existing Notes; and/or (b) the non-note debt which exceeds the Excluded Liability Threshold including any claim against the Company in respect of any loss or damage suffered or incurred as a result of, or in connection with, such liability, whether arising before, at or after the Petition Date by reason of a liability of the Company incurred on or before that time, and including, for the avoidance of doubt, any and all interest, default interest, premium, principal, additional amounts, make whole amounts, fees and commissions accruing on, or payable in respect of, or any other accretions whatsoever arising in respect of, such claims or rights up to the Petition Date
"Scheme Lodgment Date"	the date on which a copy of the order from the court in Bermuda sanctioning the Scheme has been lodged with the Bermuda Registrar of Companies
"Seconded Employee(s)"	the employees of FELS and its related corporations who will be made available to hold various management positions at TQS pursuant to the Management Services Agreement
"Second Loan Agreement"	the loan agreement entered into between the Company and Fame Dragon on 13 March 2014 in relation to the provision of an unsecured loan of HK$62.24 million by Fame Dragon to the Company
"Settlement Date"	the second business day following the date for application and payment for the Offer Shares under the Open Offer as the Underwriter may agree in writing with the Company (or such other date as the Underwriter and the Company may agree in writing)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"SGM"	a special general meeting of the Company to be convened to approve, among other things, the Shipyard Debt Rescheduling Agreement, the Open Offer, the Shipyard Termination Agreement, the Share Subscription Agreements (including the issue of the Warrants, the Subscription Shares and/or the Warrant Shares), the Assumption Agreement, the Listco Preferred Shares Modification Deed, the Whitewash Waiver, the Special Deal, Authorised Share Capital Increase and the specific mandate to issue Shares and the amendments to the Bye-Laws
"Share(s)"	ordinary shares of nominal value HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares in issue
"Share Options"	the share options granted under share option scheme adopted by the Company dated 31 May 2002 (as amended on 24 June 2010)
"Share Subscription Agreements"	collectively, the Wahen Investments Subscription Agreement and the Victory Stand Subscription Agreement
"Share Subscriptions"	the Wahen Investments Subscription and the Victory Stand Subscription
"Shengsi Haixin"	嵊泗海鑫石油有限公司 (Shengsi Haixin Petroleum Co., Ltd*) a company incorporated with limited liability in the PRC and an indirect wholly-owned subsidiary of the Company
"Shipyard Debt Rescheduling Agreement"	the debt rescheduling agreement dated 5 May 2014 entered into between TQS and GZE (as amended and supplemented on 22 August 2014, 27 February 2015 and 28 May 2015)
"Shipyard Sale and Purchase Agreement"	the sale and purchase agreement dated 11 December 2010 and entered into among TPFL, TQSL Holding and Grand China Logistics (as amended by supplemental agreements) in relation to the sale by TPFL and TQSL Holding of, in aggregate, a 95% equity interest in TQS to Grand China Logistics

"Shipyard Termination Agreement"	the agreement dated 5 May 2014 and entered into among GZE, the Company, TQSL Holding and TPFL (as supplemented and amended by the supplemental agreement on 27 February 2015 and 28 May 2015) in relation to, among other things, the termination of the Shipyard Sale and Purchase Agreement
"Shipyard Termination Shares"	9,382,164,000 Shares to be issued to GZE at the issue price of HK$0.10 in lieu of repayment of RMB 740 million under the Shipyard Termination Agreement
"Singapore"	the Republic of Singapore
"Singapore Exchange"	Singapore Exchange Securities Trading Limited
"Special Deal"	the repayment of the outstanding indebtedness of the Group to the Scheme Creditors (among which Morgan Stanley & Co. International Plc, Mill Reef Investment S.A. and Mr. Ni Song Hua are existing Shareholders) out of the proceeds from the Open Offer and Share Subscriptions, which constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscribers"	collectively, Wahen Investments and Victory Stand
"Subscription Shares"	the new Shares to be subscribed for by the Subscribers pursuant to the Share Subscriptions
"Supplemental Second Loan Agreement"	the agreement entered into between the Company and Fame Dragon on 10 July 2014 to amend and supplement certain terms of the Second Loan Agreement
"Suspension"	the suspension of trading of the Shares on the Stock Exchange since 19 June 2012
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"TC Independent Board Committee"	the independent committee of the Board comprising Mr. Hu Zhong Shan, Mr. Foo Meng Kee, Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit, being all the non-executive Directors who have no direct or indirect interest in the relevant transaction, formed to advise the Independent Shareholders on the Open Offer, the Shipyard Termination Agreement, the Assumption Agreement, the Whitewash Waiver and the Special Deal

"TGIL"	Titan Group Investment Limited (in liquidation), a company incorporated with limited liability in the BVI and was a former jointly-controlled entity of the Company
"TGIL Convertible Notes"	the convertible unsecured notes due 2014 issued by TGIL pursuant to the option agreement dated 14 July 2009 and entered into between the Company, TOSIL, Saturn Storage and TGIL
"TGIL Preferred Shares"	the convertible redeemable preferred shares issued by TGIL on 22 June 2007 convertible into the shares of TGIL
"Titan Petrochemical (Guangzhou)"	廣州泰山石化有限公司 (Guangzhou Titan Petrochemical Co., Ltd.*), a company incorporated with limited liability in the PRC and an indirect wholly-owned subsidiary of the Company
"TOSIL"	Titan Oil Storage Investment Limited, a company incorporated with limited liability in the BVI and a direct wholly-owned subsidiary of the Company
"TPFL"	泰山石化(福建)有限公司 (Titan Petrochemicals (Fujian) Ltd*), a company incorporated with limited liability in the PRC and a direct wholly-owned subsidiary of the Company
"TPG Debt"	the total amount of debt obligations under the TPG Debt Rescheduling Agreement
"TPG Debt Rescheduling Agreement"	the debt rescheduling agreement dated 5 May 2014 (as amended by supplemental agreements dated 22 August 2014, 27 February 2015 and 28 May 2015) and entered into among Titan Petrochemical (Guangzhou), TQS and GZE
"TQS"	泉州船舶工業有限公司 (Titan Quanzhou Shipyard Co. Ltd.), a sino-foreign equity joint venture established in the PRC and an indirect wholly-owned subsidiary of the Company
"TQS Debt"	the total amount of debt obligations under the Shipyard Debt Rescheduling Agreement
"TQS Employee(s)"	the employees of TQS other than the Seconded Employees
"TQSL Holding"	Titan TQSL Holding Company Limited, a company incorporated with limited liability in the BVI and an indirect wholly-owned subsidiary of the Company

"TRML"	Titan Resources Management Limited, a company incorporated with limited liability in the BVI and an indirect wholly-owned subsidiary of the Company
"TSHL"	Titan Shipyard Holdings Limited, a company incorporated with limited liability in the BVI and a direct wholly-owned subsidiary of the Company
"TSL"	Titan Storage Limited, a company incorporated in the BVI and a former subsidiary of the Company which has been put into liquidation and deconsolidated in April 2014
"TSL Creditors"	collectively Camden, Edinburgh and Mayfair
"Trading Day(s)"	a day or days on which trading of the Shares is conducted on the Stock Exchange in accordance with the rules and regulations of the Stock Exchange promulgated from time to time
"Underwriting Agreement"	the underwriting agreement dated 5 May 2014 entered into between the Company and Fame Dragon (as supplemented and amended by the supplemental agreements dated 27 February 2015 and 28 May 2015) in relation to the underwriting of the Open Offer
"Underwriter"	Fame Dragon or its wholly-owned subsidiary
"Unsecured Claim"	any non-note debt owed by the Company to a Scheme Creditor exceeding the Excluded Liabilities Threshold
"Unsecured Creditors"	persons with an Unsecured Claim at 17 October 2014
"US$"	United States dollars, the lawful currency of the United States of America
"Victory Stand"	Victory Stand Limited, a company incorporated in Samoa
"Victory Stand Subscription"	the subscription by Victory Stand of 1,300,000,000 Shares and 1,300,000,000 Warrants to be issued by the Company pursuant to the Victory Stand Subscription Agreement
"Victory Stand Subscription Agreement"	the subscription agreement dated 27 March 2015 entered into by the Company and Victory Stand in relation to the Victory Stand Subscription

"Wahen Investments"	Wahen Investments Limited, a company incorporated with limited liability in the BVI and is wholly-owned by Mr. Zhao
"Wahen Investments Subscription"	the subscription by Wahen Investments of 1,800,000,000 Shares and 1,800,000,000 Warrants to be issued by the Company pursuant to the Wahen Investments Subscription Agreement
"Wahen Investments Subscription Agreement"	the subscription agreement dated 6 May 2015 entered into by the Company and Wahen Investments in relation to the Wahen Investments Subscription
"Warrants"	the warrants to be issued by the Company under the Open Offer and Share Subscriptions conferring the rights to subscribe for Shares at the exercise price of HK$0.12 per Share. Each one (1) Warrant carries the right to subscribe for one (1) Warrant Share
"Warrant Shares"	the new Shares to be allotted and issued by the Company upon the exercise of the subscription rights attaching to the Warrants
"Whitewash Waiver"	a waiver in respect of the obligation of GZE and Fame Dragon to make a mandatory offer to other holders of the Shares in respect of those Shares as a result of the underwriting of the Offer Shares under the Underwriting Agreement by the Underwriter, the subscription of a maximum of 2,282,024,653 Shares under the Assumption Agreement by Fame Dragon, the subscription of 9,382,164,000 Shares under Shipyard Termination Agreement by GZE upon the resumption of trading of the Shares on the Stock Exchange, in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code
"Working Capital Loan Agreement"	the loan agreement dated 22 August 2014 entered into between TQS and GZE (as supplemented and amended by supplemental agreements on 27 February 2015 and 28 May 2015) in relation to the provision of the loan of not less than RMB60 million by GZE to TQS for its working capital
"%"	per cent

* *for identification purpose only*

Unless the content states otherwise, conversion of RMB into HK$ is calculated at the approximate exchange rate of RMB1 to HK$1.26786, conversion of US$ into HK$ is calculated at the approximately exchange rate of US$1 to HK$7.8 and conversion of S$ into HK$ is calculated at the approximately exchange rate of S$1 into HK$6.1203.

Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

The expected timetable for the Open Offer set out below is for indicative purposes only and has been prepared on the assumption that all the conditions of the Open Offer will be fulfilled. The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as and when appropriate.

2015

Latest time for lodging transfer of shares in order to qualify for attendance and voting at the SGM . . . . . 4:30 p.m. on Monday, 15 June

Closure of register of members to ascertain the Shareholders who can vote at the SGM (both dates inclusive) . . . . . Tuesday, 16 June to Monday, 22 June

Latest time for lodging proxy forms for the SGM . . . . . 11:00 a.m. on Saturday, 20 June

Time and date of the SGM . . . . . 11:00 a.m. on Monday, 22 June

Announcement of results of the SGM . . . . . Monday, 22 June

The following events are conditional on the results of the SGM. The dates are therefore tentative

Last day of cum-entitlements of the Open Offer . . . . . Tuesday, 23 June

First day of ex-entitlements of the Open Offer . . . . . Wednesday, 24 June

Latest time for lodging transfer of shares in order to qualify for the Open Offer . . . . . 4:30 p.m. on Thursday, 25 June

Closure of register of members to determine the eligibility of the Open Offer (both dates inclusive) . . . . . Friday, 26 June to Friday, 3 July

Record Date for the Open Offer . . . . . Friday, 3 July

Despatch of the Open Offer Documents . . . . . Monday, 6 July

Latest time for acceptance of and payment for Offer Shares . . . . . 4:00 p.m. on Monday, 20 July

Latest time for termination of the Underwriting Agreement . . . . . 4:00 p.m. on Wednesday, 22 July

2015

Announcement of results of the Open Offer	Monday, 27 July
Despatch of certificates for Offer Shares	Tuesday, 28 July
If the Open Offer is terminated, refund cheques on or before	Tuesday, 28 July
Resumption of trading in the Shares and dealings in Offer Shares commence	9:00 a.m. on Wednesday, 29 July

Note: All references to time in this document are reference to Hong Kong time.

Effect of bad weather on the latest time for acceptance of and payment for the Open Offer

If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning:

(i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the latest date for acceptance of the Offer Shares and/or, as the case may be, the Last Acceptance Date, the latest time for the acceptance of and payment for the Offer Shares will not take place at 4:00 p.m., but will be extended to 5:00 p.m. on the same day instead;

(ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer Shares and/or, as the case may be, the Last Acceptance Date, the latest time for the acceptance of and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Offer Shares does not take place on the Last Acceptance Date, the dates mentioned in the section headed "Expected Timetable" in this circular may be affected. Any changes to the anticipated timetable will be announced as and when appropriate.

Titan Petrochemicals Group Limited

(Provisional Liquidators appointed)

(Incorporated in Bermuda with limited liability)

(Stock Code: 1192)

Executive Directors:
Mr. Zhao Xu Guang *(Chairman and Chief Executive)*
Mr. Tang Chao Zhang
Mr. Wong Siu Hung Patrick
Mr. Fu Yong Yuan

Non-executive Directors:
Mr. Fan Qinghua
Mr. Hu Zhong Shan

Independent non-executive Directors:
Mr. Foo Meng Kee
Mr. Lau Fai Lawrence
Mr. Lau Yiu Kit

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business in Hong Kong:
4902 Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

29 May 2015

To the Shareholders,

Dear Sir or Madam,

(1) UPDATE ON DEBT RESTRUCTURING AND REMAINING INDEBTEDNESS ARRANGEMENTS
(2) INTERIM FINANCING ARRANGEMENTS
(3) PROPOSED OPEN OFFER
(4) SUBSCRIPTION OF SHARES AND WARRANTS
(5) UPDATE ON BUSINESS STRATEGIES AND DEVELOPMENT
(6) INCREASE IN AUTHORISED SHARE CAPITAL
(7) APPLICATION FOR WHITEWASH WAIVER
(8) SPECIAL DEAL
AND
(9) AMENDMENT TO BYE-LAWS

A. BACKGROUND

Suspension of trading

On 11 December 2010, the Company, TPFL and TQSL Holding (both TPFL and TQSL Holding are wholly-owned subsidiaries of the Company), entered into the Shipyard Sale and Purchase Agreement with Grand China Logistics in relation to the sale by TPFL and TQSL Holding of, in aggregate, a 95% equity interest in TQS to Grand China Logistics at a cash consideration of RMB1,865,670,000 (equivalent to approximately HK$2,365,408,366) or a maximum reduced consideration of RMB1,465,670,000 (equivalent to approximately HK$1,858,264,366) (if TQS's net profit targets for the two

years ended 31 December 2012 were not met) to be paid by instalments on specified dates. Pursuant to a supplemental agreement signed in 2011, such net profit targets were cancelled and the consideration for the proposed disposal was fixed at RMB1,665,670,000 (equivalent to approximately HK$2,111,836,366).

On the same date, the Company entered into the GCL Subscription Agreement with Grand China Logistics in relation to the subscription by Grand China Logistics in cash of 500 million new subscription Shares to Grand China Logistics at the issue price of HK$0.61 per Share.

On 18 March 2012, the Company announced that, among other things, (i) Grand China Logistics, after making instalment payments totalling RMB740,000,000 (equivalent to approximately HK$938,216,400), had failed to make further instalment payments as and when they fell due under the Shipyard Sale and Purchase Agreement; and (ii) the GCL Subscription Agreement, completion of which was conditional upon the registration of the transfer of the 95% equity interest in TQS being sold by TPFL and TQSL Holding to Grand China Logistics, had lapsed.

The Group had intended to use the net proceeds which it was expecting to receive under the Shipyard Sale and Purchase Agreement and the GCL Subscription Agreement to repay the 2012 Senior Notes, to reduce its other indebtedness, to fund the development of its business as well as to fund its general working capital requirements. As a result of the default in payment by Grand China Logistics under the Shipyard Sale and Purchase Agreement and the lapse of the GCL Subscription Agreement, the Company was unable to repay the 2012 Senior Notes when they became due on 19 March 2012. As disclosed in the announcement of the Company dated 18 March 2012, the repayment default with respect to the 2012 Senior Notes triggered the cross default of a bilateral loan between a member of the Group and a financial institution in the outstanding principal amount of US$1.3 million and an early redemption event in respect of the Listco Preferred Shares and the TGIL Convertible Notes and the TGIL Preferred Shares. As the Group had been experiencing severe financial difficulties to meet its immediate debt obligations, Shares have been suspended for trading since 19 June 2012.

Legal proceedings

Proceedings in Bermuda and related arbitration proceedings

On 4 July 2012, the Company received from Saturn Petrochemical a notice to redeem all of the outstanding Listco Preferred Shares held by it and the redemption monies are payable within 30 business days after the date of the redemption notice.

Saturn Petrochemical then filed a petition for the winding-up of the Company on 9 July 2012 (Bermuda time) (the "SPHL Petition"). The SPHL Petition was subsequently struck out by the Bermuda Court, and Camden (the petitioner in the winding up proceedings) was substituted as the petitioner in place of Saturn Petrochemical upon its application to the Bermuda Court. Camden sought to be substituted as a petitioner following the referral of certain disputes between Camden, Edinburgh and Mayfair, the Company and TSL to arbitration.

On 18 October 2013 (Bermuda time), the Bermuda Court ordered the appointment of the Provisional Liquidators to the Company to, amongst other powers and duties, consider the terms of any scheme of arrangements proposed by the Company and to assess the feasibility of any restructuring proposal of the Company.

The hearing of the winding up petition by Camden has been adjourned on numerous occasions; the latest adjournment being until 29 May 2015 (Bermuda time).

In addition, at a hearing held on 6 March 2015, the Company obtained orders from the Bermuda Court extending the long-stop date of the Creditors' Scheme to 31 July 2015 and approving the entering into the 2015 Loan Agreement.

Upon the successful resumption of trading of the Shares and completion of the Restructuring, the Provisional Liquidators will be discharged and the winding up petition will be dismissed or withdrawn by Camden.

Proceedings in BVI

On 18 June 2012 (BVI time), Saturn Storage filed an application with the BVI Court to liquidate TGIL.

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

On 18 July 2012 (BVI time), 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 liquidation order.

The liquidators of TGIL have made a numbers of distributions to creditors of TGIL, but continue to hold certain funds until such time as certain tax liabilities can be determined.

Proceedings in Hong Kong

On 19 July 2012, Saturn Storage initiated proceedings in the Hong Kong High Court against the Company and other parties including TOSIL and two directors of the Company in respect of, among other things, (i) the breach of the amended and restated investor rights agreement in respect of TGIL dated 17 July 2009; and (ii) misrepresentations regarding the financial position of TGIL, and its subsidiaries.

The Company and TOSIL have been in advance stages of negotiations with Saturn Storage with a view to reaching a settlement with Saturn Storage relating to the proceedings. It is expected that settlement will be reached shortly, failing which the Company and TOSIL will consider making an application to strike out the claims from Saturn Storage in these proceedings.

Further to the Company's announcement dated 25 November 2014, the Hong Kong High Court fixed a second case management conference for hearing on 21 November 2014. On 17 November 2014, the Hong Kong High Court ordered (by consent) that (i) the second case management conference due to be heard on 21 November 2014 be vacated and adjourned to 13 March 2015; and (ii) all further proceedings be stayed until 16 January 2015. Thereafter, on 12 March 2015, the Hong Kong High Court ordered (by consent) that (i) the second case management conference due to be heard on 13 March 2015 be vacated and adjourned to 7 July 2015; and (ii) all further proceedings to be stayed until 30 April 2015 pending finalisation of the global settlement among the parties.

The Company has obtained the permission from Bermuda Court to enter into a deed of settlement with Saturn Storage and other relevant parties relating to the proceeding in Hong Kong on 12 December 2014. The deed of settlement is pending on the signatures of all parties.

Proceedings in the PRC

On 30 May 2012, TPFL received a summons issued by Shanghai Intermediate Court with Grand China Logistics as plaintiff and the Company, TQSL Holding and TPFL as defendants, that sought an order for, among other things, termination of the Shipyard Sale and Purchase Agreement and repayment to Grand China Logistics of an aggregate of RMB740 million together with accrued interest or for the Company to fulfil its obligation under its guarantee to repay such amount.

On 23 August 2012, TPFL filed a statement of counterclaim against Grand China Logistics with the Shanghai Intermediate Court to seek, amongst other remedies, specific performance by Grand China Logistics of the Shipyard Sale and Purchase Agreement.

On 10 June 2013, the Company received a notification from Grand China Logistics dated 7 June 2013 informing the Company that it had entered into an assignment with GZE pursuant to which it would assign to GZE all of its interests, rights and obligations in respect of the Shipyard Sale and Purchase Agreement.

On 23 December 2013, the Shanghai Intermediate Court ordered the discontinuation of the proceedings in relation to the counterclaim lodged by TPFL against Grand China Logistics on the grounds that, following such assignment, Grand China Logistics was no longer the appropriate defendant for the counterclaim as it had transferred all its interests, rights and obligations in respect of the Shipyard Sale and Purchase Agreement to GZE. On 26 December 2013, the Shanghai Intermediate Court approved the application by Grand China Logistics to the withdrawal of the claim initiated by Grand China Logistics against the Company, TQSL Holding and TPFL in relation to the Shipyard Sale and Purchase Agreement.

Listing status

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

The Company has submitted the Resumption Proposal on 5 May 2014. As disclosed in the Company's announcement dated 2 December 2014, on 1 December 2014, the Stock Exchange advised the Company that it would be allowed to proceed with the Resumption Proposal subject to satisfying the following conditions by 31 May 2015:

1. completion of the transactions under the Resumption Proposal;

2. completion of the internal control review indicating no material deficiency;

3. withdrawal or dismissal of the winding up petition and discharge of the provisional liquidators;

4. inclusion in a circular to the Shareholders:

   (a) a profit forecast for the two years ending 31 December 2015 and 2016 together with reports from the auditors and the financial adviser under Rules 14.62(2) and (3) of the Listing Rules;

   (b) a pro forma balance sheet upon completion of the Resumption Proposal; and

   (c) a statement from the Directors confirming working capital sufficiency for at least 12 months from trading resumption and a comfort letter from the auditors on the Directors' statement.

On 14 May 2015, the Company made the submission to the Stock Exchange to seek the approval to extend the deadline to satisfy the above conditions from 31 May 2015 to 31 July 2015. As informed by a letter dated 20 May 2015, the Stock Exchange has agreed to extend the deadline for meeting the above conditions by 31 July 2015.

None of the Company, the controlling Shareholders (including GZE) or the Directors has any present agreement, arrangement, intention, negotiation and/or plan to carry out a principal business other than the existing business of the Company within 24 months after Resumption. None of the controlling Shareholders (including GZE) has any intention or plans to dispose of its controlling interests in the Company within 24 months after Resumption. All of the Directors will remain with the Board after Resumption except Mr.

Foo Meng Kee, being an independent non-executive Director, indicated that he cannot determine whether he will remain with the Board after Resumption as at the Latest Practicable Date.

B. UPDATE ON DEBT RESTRUCTURING

Creditors' Scheme

Scheme consideration

Pursuant to the Creditors' Scheme, all Scheme Liabilities will be compromised and released on the Release Date in exchange for the receipt of scheme consideration by those Scheme Creditors who lodged a valid account holder letter or notice of claim with the Information Agent on or before the bar date (i.e. 5 February 2015).

Existing Notes Creditors

Existing Notes Creditors which lodged a valid account holder letter with the Information Agent on or before the bar date shall receive scheme consideration in the form of either:

(i) HK$0.10 in cash and HK$0.30 in new Shares to be issued by the Company at the price of HK$0.10 per Share ("Equity Option"); or

(ii) HK$0.20 in cash and HK$0.10 in new Shares to be issued by the Company at the price of HK$0.10 per Share ("Cash Option");

for every HK$1.00 of the amount of their accepted claims.

If an Existing Notes Creditor failed to elect either the Equity Option or the Cash Option in its account holder letter, that Existing Notes Creditor shall receive scheme consideration in the form of the Equity Option.

As at the Latest Practicable Date, out of the liabilities in the total amount of approximately HK$1,230.5 million which the Existing Notes Creditors have lodged a valid account holder letter on or before the bar date, approximately 28.3% has elected the Equity Option whereas the remaining approximately 71.7% has elected the Cash Option.

Non-Note Creditors

Non-Note Creditors which lodged a valid notice of claim with the Information Agent on or before the bar date shall receive scheme consideration in the form of HK$0.10 in cash for every HK$1.00 of the amount of their accepted claim.

Funding of cash consideration

The cash consideration to be distributed to Scheme Creditors as described above will be approximately HK$269.0 million and will be funded by the proceeds of (i) the Open Offer and (ii) the Share Subscriptions.

Conditionality

The Creditors' Scheme became effective and binding on the Company and all Scheme Creditors on 5 November 2014, being the date on which an office copy of the order of the Bermuda Court sanctioning the Creditors' Scheme was delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Act.

Pursuant to the terms of the Creditors' Scheme, the distribution of scheme consideration to Scheme Creditors shall only occur following the satisfaction or waiver of the following conditions which are set out in clause 7.2 of the Creditors' Scheme.

(i) all authorisations (whether arising as a matter of applicable law or by reason of the terms of existing documentation) having been obtained and remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any one or more governmental entities which is not expressly provided for (or is in addition to requirements expressly provided for) in relevant laws, rules, regulations or codes in connection with the Creditors' Scheme or any matters, documents or things relating thereto, in each aforesaid case up to and at the time when the Creditors' Scheme becomes effective. The Company is not aware of any additional authorisations other than the resolutions and the sanction of the Creditors' Scheme on the second court date;

(ii) no governmental entity in any jurisdiction having taken or instituted any proceeding (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Creditors' Scheme void, unenforceable or illegal (or which would impose any material and adverse conditions or obligations on or with respect to the Creditors' Scheme);

(iii) payment or provision in full and without deduction of all Creditors' Scheme costs;

(iv) the satisfaction (or waiver) of each of the Resumption conditions including, without limitation, conditional approval having been obtained from the Stock Exchange for (1) the resumption of trading in Shares on the main board of the Stock Exchange and (2) the additional offering and (3) the warrant arrangements;

(v) the satisfaction or waiver of each of the specific conditions precedent contained in the Underwriting Agreement and the Share Subscriptions such that the Creditors' Scheme may be effected fully in accordance with its terms as soon as practicable;

(vi) the satisfaction or waiver of each of the specific conditions precedent contained in each of the GZE Excess Liabilities Undertaking, the Debt Rescheduling Agreements and the Shipyard Termination Agreement PROVIDED THAT each of these agreements shall have been duly amended by the relevant parties so that the condition precedent relating to resumption of trading of the new Shares shall be deleted and replaced with a condition that the Stock Exchange shall have granted permission to deal in the new Shares (and any Offer Shares) prior to the date of issue of the completion notice;

(vii) the satisfaction or waiver of each of the specific conditions precedent contained in any other Restructuring Documents (not otherwise expressly stated in Clause 7 of the Creditors' Scheme) PROVIDED THAT such conditions precedent shall have been duly amended prior to the date of the issue of the completion notice by the relevant parties such that all those conditions which are only capable of been satisfied following the Release Date (or any other condition which would prevent the Creditors' Scheme being effected fully in accordance with its terms) shall be deleted or otherwise amended consistent with the terms of the other Restructuring Documents;

(viii) the filing of an application seeking the conditional dismissal or withdrawal of the Bermuda Proceedings, any injunction or other relief over the assets of the Company and the discharge of the Provisional Liquidators, in each case upon or immediately after the Release Date;

(ix) receipt of all funds to be raised by the additional offering and the Share Subscriptions by the Company (or its nominee), sufficient for the Company (or its nominee) to meet its cash payment obligations in respect of the Creditors' Scheme consideration;

(x) withdrawal by DBIL of the previously issued redemption notice in respect of the Listco Preferred Shares in accordance with the Listco Preferred Shares Modification Deed; and

(xi) the due execution of the deeds of release by the Company on behalf of Scheme Creditors in accordance with the terms of the Creditors' Scheme.

As disclosed in the announcement of the Company dated 22 October 2014, separate meetings of the Existing Notes Creditors and of Non-Note Creditors (as defined in the Creditors' Scheme) (the "Scheme Meetings") were held on the same date to consider and approve the Creditors' Scheme. At both Scheme Meetings, a majority in number of the Scheme Creditors present and voting (in person or by proxy), representing not less than three-fourths in value of the accepted claims of Scheme Creditors present and voting

(either in person or by proxy), have voted in favour of the Creditors' Scheme. Accordingly, the Creditors' Scheme was duly approved at the Scheme Meetings. As disclosed in the announcement of the Company dated 5 November 2014, the Creditors' Scheme was sanctioned by the Bermuda Court on the same date and became effective and binding on all Scheme Creditors upon a copy of the Order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Act on the same date.

K-Line Support Agreement

On 17 April 2014, the holder of the K-Line Notes, K-Line (being one of the creditors of Unsecured Claim), TSHL as issuer of the K-Line Notes 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 either within the Creditors' Scheme or pursuant to a separate settlement agreement conditional upon the Creditors' Scheme becoming effective. On 8 October 2014, the same parties entered into a settlement agreement whereby K-Line agreed to accept a payment equivalent to US$0.10 in cash in respect of every US$1.00 of the principal outstanding under the K-Line Notes and interest as at 9 July 2012.

Frontline Settlement Agreement

The Company, TSL and the TSL Creditors are parties to the respective arbitration proceedings in relation to the claims by the TSL Creditors against TSL and the Company arising out of certain bareboat charters entered into between the TSL Creditors and TSL in 2010 and the related guarantees or alleged guarantees entered into by the Company.

On 2 May 2014, the Frontline Settlement Agreement was entered into by the Company, TSL and the TSL Creditors, pursuant to which the TSL Creditors agreed the amounts of the claims of the TSL Creditors to be recognised as the Unsecured Claims in the proposed Debt Restructuring of the Company by way of one or more Creditors' Scheme and that the TSL Creditors would take all reasonable steps necessary to vote in favour of the Creditors' Scheme. On 29 October 2014, the parties entered into an agreement amending and restating the Frontline Settlement Agreement.

C. REMAINING INDEBTEDNESS ARRANGEMENTS

As part of the Group's continued efforts to restructure its indebtedness, members of the Group entered into the Listco Preferred Shares Modification Deed, the Debt Rescheduling Agreements, the Assumption Agreement and the Loan Rescheduling Agreements and scheme of arrangement and compromise agreement will be executed to settle certain of the outstanding amounts due to the deconsolidated subsidiaries. GZE also executed the GZE Excess Liabilities Undertaking in favour of the Company.

Listco Preferred Shares Modification Deed

Acquisition of Listco Preferred Shares by GZE

As mentioned in the section headed "A. Background – Legal proceedings" above, on 4 July 2012, the Company received from Saturn Petrochemical a notice to redeem all of the outstanding Listco Preferred Shares held by it and the redemption monies are payable within 30 business days after the date of the redemption notice. On 9 July 2012, Saturn Petrochemical filed a petition for the winding-up of the Company and made an application to the Bermuda Court for the appointment of joint provisional liquidators on 27 August 2012. The petition filed by Saturn Petrochemical was subsequently struck out by the Bermuda Court on 10 May 2013 and Camden, one of the Unsecured Creditors of the Company, was substituted as the petitioner in place of Saturn Petrochemical upon its application to the Bermuda Court.

On 10 October 2013, Saturn Petrochemical entered into certain arrangements, including the execution of an instrument of transfer, a declaration of trust and an irrevocable power of attorney by Saturn Petrochemical in favour of DBIL, a subsidiary of GZE whereby DBIL became entitled to the benefit of all interests arising under or in connection with the Listco Preferred Shares.

The Company and DBIL (as the lawful attorney of Saturn Petrochemical) subsequently entered into the Listco Preferred Shares Modification Deed in relation to, among others, the extension of the redemption period of the Listco Preferred Shares and the restriction of the conversion of the Listco Preferred Shares. Pursuant to the Listco Preferred Shares Modification Deed, DBIL and the Company have agreed that (i) the purported redemption notice relating to the Listco Preferred Shares as issued by Saturn Petrochemical on 4 July 2012 cannot be completed as a matter of applicable law and shall, for all purposes, be treated for as being withdrawn, *ab initio* and of no legal effect; (ii) the terms of the Bye-Laws shall be amended so that the earliest date of a notice of redemption of the Listco Preferred Shares may be served on the Company is the 3rd anniversary of the actual date when the Restructuring becoming effective and the Release Date having occurred; (iii) the conversion price of the Listco Preferred Shares are subject to adjustment except that no adjustment will be made to the conversion price of the Listco Preferred Shares when Shares or other securities are issued, offered or granted pursuant to the conversion of the Listco Preferred Shares or the Restructuring; and (iv) no conversion of the Listco Preferred Shares shall occur until the date falling six months after the date on which trading in Shares have resumed on the Stock Exchange provided always that if the Company considers that it would no longer satisfy minimum public shareholding requirement under Rule 8.08 of the Listing Rules immediately following a conversion of the Listco Preferred Shares. The Listco Preferred Shares Modification Deed is conditional upon the fulfillment of the following conditions on or before 31 May 2015 or such later date as may be agreed between the parties to the Listco Preferred Shares Modification Deed:

(i) the due execution of the written resolutions and all other authorisations necessary for the implementation of the transactions contemplated by the Listco Preferred Shares Modification Deed having been obtained or complied with including without limitation any applicable requirements of the Stock Exchange, the Act and the Bye-Laws;

(ii) the passing of each of the resolutions to be passed by the Shareholders at the SGM approving the terms of the Restructuring;

(iii) the approval and sanction of the Creditors' Scheme by the Bermuda Court in accordance with section 99 of the Act;

(iv) each condition precedent (or such other condition) required to be satisfied pursuant to the terms of each other document in relation to the Creditors' Scheme and the Resumption Proposal (other than that all the conditions precedent of the Listco Preferred Shares Modification Deed having been fulfilled or waived) having been satisfied or waived for the purpose of making each document in relation to the Creditors' Scheme and the Resumption Proposal effective in accordance with its terms;

(v) the Company having obtained the approval of the Independent Shareholders in the general meeting in respect of the Whitewash Waiver; and

(vi) the grant of Whitewash Waiver by the Executive.

As at the Latest Practicable Date, the condition (iii) set out above has been satisfied. All conditions set out above are expected to be satisfied prior to Resumption. As disclosed in the Company's announcement dated 28 May 2015, on 28 May 2015, the Company and DBIL have entered into a supplemental agreement, pursuant to which the parties agreed to extend the long stop date of the Listco Preferred Shares Modification Deed to 31 July 2015.

Reasons of the Listco Preferred Shares Modification Deed

Given that the extension of the redemption period of the Listco Preferred Shares will setback the pressing need for the repayment liability given the net liabilities position of the Group as at 31 December 2014, the Directors consider the terms of the Listco Preferred Shares Modification Deed is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Debt Rescheduling Agreements

As at 31 March 2014, certain subsidiaries of the Company were indebted to GZE as follows: (a) TQS was indebted to GZE for amounts which are related to loans that were originally made by Shanghai Pudong Development Bank Co. Ltd. Fuzhou Branch to TQS over the period from 2009 to 2011. The bank subsequently assigned its rights and interests with respect to those loans and related security interests to China Cinda Asset Management Co., Ltd. which then further assigned those rights and interests to GZE. TQS

has defaulted in its repayment obligations and these amounts have become immediately due and payable; (b) Titan Petrochemical (Guangzhou) was indebted to GZE for amounts which are related to loans that were originally made by Ping An Bank Co., Ltd. to Titan Petrochemical (Guangzhou) in March 2012, all of which were jointly guaranteed by TQS, Quanzhou Zhenrong Petrochemical Terminal Co. Ltd and Guangzhou Nansha Zhenrong Storage Co. Ltd.. The bank subsequently assigned its rights and interests with respect to those loans and guarantee to GZE on 31 December 2013. Titan Petrochemical (Guangzhou) has defaulted in its repayment obligations and these amounts have jointly become immediately due and payable; and (c) Shengsi Haixin was indebted to GZE for an amount which is related to a loan made available by GZE to Shengsi Haixin pursuant to a loan agreement dated 25 November 2013. Shengsi Haixin has defaulted in its repayment obligations and this amount has become immediately due and payable.

On 5 May 2014, TQS entered into the Shipyard Debt Rescheduling Agreement with GZE in respect of the indebtedness described in (a) above, TQS and Titan Petrochemical (Guangzhou) entered into the TPG Debt Rescheduling Agreement with GZE in respect of the indebtedness described in (b) above and Shengsi Haixin entered into the Haixin Debt Rescheduling Agreement with GZE in respect of the indebtedness described in (c) above. Pursuant to the Debt Rescheduling Agreements, GZE has agreed, among other things, to reschedule the repayment of the Group's indebtedness due to GZE postponing the first repayment date until 5 May 2017.

Shipyard Debt Rescheduling Agreement

Further details of the Shipyard Debt Rescheduling Agreement are as follows:

(1) Total amount of the TQS Debt: RMB1,526,741,949.33, being the aggregate of the principal of RMB1,429,497,482.80 and the accrued interest of RMB97,244,466.53 as of the date of the agreement;

(2) Extension of tenure: subject to the occurrence of and with effect from the effective date of the agreement, the maturity of the TQS Debt shall be extended to the date falling 264 months from the date of the Shipyard Debt Rescheduling Agreement and TQS shall repay the principal of the TQS Debt in instalments on each repayment date (repay 5% for each 12 months until 264 months from the date of the Shipyard Debt Rescheduling Agreement), the first one of which shall fall on 5 May 2017;

(3) Interest: incurred since the date of the Shipyard Debt Rescheduling Agreement. The interest on the TQS Debt shall be on the base interest rate for the tenure of more than one to three years as of the date of the Shipyard Debt Rescheduling Agreement as published by the PBOC. Interest will be calculated on the basis of actual number of days elapsed and a year of 360 days;

(4) Security: each security provided under the original loan and pledge agreements between TQS and Shanghai Pudong Development Bank Co. Ltd. Fuzhou Branch shall continue in full force and effect in securing the repayment of the TQS Debt; and

(5) Effective date of the agreement means the date on which all of the following conditions have been satisfied or otherwise waived by GZE: (i) the Company having complied with all applicable requirements under the Listing Rules and those requirements imposed under applicable laws and regulations or by the Stock Exchange, the SFC, the Bermuda Court and/or any other governmental or regulatory authority of competent jurisdiction in relation to the Shipyard Debt Rescheduling Agreement and the transactions contemplated thereunder; (ii) the Debt Restructuring having become effective in accordance with its terms; (iii) a resumption of trading in the Shares having been unconditionally or conditionally approved by the Stock Exchange; (iv) each condition precedent (or such other condition) required to be satisfied pursuant to the terms of each other document in relation to the Creditors' Scheme and the Resumption Proposal (other than that all the conditions precedent of the Shipyard Debt Rescheduling Agreement having been fulfilled or waived) having been satisfied or waived for the purpose of making each document in relation to the Creditors' Scheme and the Resumption Proposal effective in accordance with its terms; and (v) the Company having obtained the approval of the Independent Shareholders in general meeting in respect of the Whitewash Waiver; and (vi) the grant of Whitewash Waiver by the Executive. If the conditions above are not satisfied on or before 31 May 2015 (or such other date as the parties thereto may agree in writing), any party thereto may terminate the Shipyard Debt Rescheduling Agreement by giving each other party thereto not less than 30 days' written notice and, upon termination of the Shipyard Debt Rescheduling Agreement, all the obligations of the parties thereto shall immediately cease and none of the parties thereto shall have any claim against any other party thereto in respect of any matter arising out of or in connection with the Shipyard Debt Rescheduling Agreement, save for any antecedent breaches. As disclosed in the Company's announcement dated 28 May 2015, on 28 May 2015, the Company and GZE have entered into a supplemental agreement, pursuant to which the parties agreed to extend the long stop date of the Shipyard Debt Rescheduling Agreement to 31 July 2015.

Reasons for and benefits of the Shipyard Debt Rescheduling Agreement

TQS, an indirect wholly-owned subsidiary of the Company, was principally engaged in shipbuilding and ship repair business at the Quanzhou Shipyard before suspension of its business in around 2013. The Shipyard Debt Rescheduling Agreement, when effective, will release TQS from its liabilities arising from its default on payment under the Shipyard Debt Rescheduling Agreement and enable it to focus its resources on re-building its business.

The terms of the Shipyard Debt Rescheduling Agreement were arrived at based on arm's length negotiations between TQS and GZE. The Directors are of the opinion that the terms of the Shipyard Debt Rescheduling Agreement are fair and reasonable and the transactions contemplated under the Shipyard Debt Rescheduling Agreement are in the interest of the Company and the Shareholders as a whole.

TPG Debt Rescheduling Agreement

Details of the TPG Debt Rescheduling Agreement are as follows:

(1) Total amount of the TPG Debt: RMB43,880,272.00, being the aggregate of the principal of RMB42,600,000.00 and the accrued interest of RMB1,280,272.00 as of the date of the TPG Debt Rescheduling Agreement;

(2) Extension of tenure: subject to the occurrence of and with effect from the effective date of the agreement, the maturity of the TPG Debt shall be extended to the date falling 96 months from the date of the TPG Debt Rescheduling Agreement and Titan Petrochemical (Guangzhou) shall repay the principal of the TPG Debt in instalments on each repayment date, the first one of which shall fall on 5 May 2017;

(3) Interest: subject to the occurrence of and with effect from the effective date of the agreement, the rate of interest on the TPG Debt shall be on the base interest rate for the tenure of more than one to three years as of the date of the TPG Debt Rescheduling Agreement as published by the PBOC. Interest will be calculated on the basis of actual number of days elapsed and a year of 360 days;

(4) Guarantee: the guarantee TQS provided under the original finance agreements between, among others, Titan Petrochemical (Guangzhou) and Ping An Bank Co., Ltd. (formerly know as Shenzhen Development Bank Co., Ltd) shall remain in full force and effect in guaranteeing the repayment of the TPG Debt. Such guarantee in respect of the TPG Debt was jointly provided by TQS, Quanzhou Zhenrong Petrochemical Terminal Co. Ltd and Guangzhou Nansha Zhenrong Storage Co. Ltd., the wholly-owned subsidiaries of GZE; and

(5) Effective date of this agreement means the date on which all of the following conditions have been satisfied or otherwise waived by GZE: (i) the Company having complied with all applicable requirements under the Listing Rules and those requirements imposed under applicable laws and regulations or by the Stock Exchange, the SFC, the Bermuda Court and/or any other governmental or regulatory authority of competent jurisdiction in relation to the TPG Debt Rescheduling Agreement and the transactions contemplated thereunder; (ii) the Debt Restructuring having become effective in accordance with its terms; (iii) a resumption of trading in the Shares having been unconditionally or conditionally approved by the Stock Exchange; (iv) each condition precedent (or such other condition) required to be satisfied pursuant to the terms of each other document in relation to the Creditors' Scheme and the Resumption

Proposal (other than that all the conditions precedent of the TPG Debt Rescheduling Agreement having been fulfilled or waived) having been satisfied or waived for the purpose of making each document in relation to the Creditors' Scheme and the Resumption Proposal effective in accordance with its terms; and (v) the Company having obtained the approval of the Independent Shareholders in general meeting in respect of the Whitewash Waiver; and (vi) the grant of Whitewash Waiver by the Executive. If the conditions above are not satisfied on or before 31 May 2015 (or such other date as the parties thereto may agree in writing), any party thereto may terminate the TPG Debt Rescheduling Agreement by giving each other party thereto not less than 30 days' written notice and, upon termination of the TPG Debt Rescheduling Agreement, certain obligations of the parties thereto shall in accordance with its terms immediately cease and none of the parties thereto shall have any claim against any other party thereto in respect of any matter arising out of or in connection with the TPG Debt Rescheduling Agreement, save for any antecedent breaches. As disclosed in the Company's announcement dated 28 May 2015, on 28 May 2015, the Company and GZE have entered into a supplemental agreement, pursuant to which the parties agreed to extend the long stop date of the TPG Debt Rescheduling Agreement to 31 July 2015.

Haixin Debt Rescheduling Agreement

Details of the Haixin Debt Rescheduling Agreement are as follows:

(1) Total amount of the Haixin Debt: RMB36,367,173.72, being the aggregate of the principal of RMB35,478,631.11 and the accrued interest of RMB888,542.61 as of the date of the Haixin Debt Rescheduling Agreement;

(2) Extension of tenure: subject to the occurrence of and with effect from the effective date of the agreement, the maturity of the Haixin Debt shall be extended to the date falling 96 months from the date of the Haixin Debt Rescheduling Agreement and Shengsi Haixin shall repay the Haixin Debt in instalments on each repayment date, the first one of which shall fall on 5 May 2017;

(3) Interest: subject to the occurrence of and with effect from the effective date of the agreement, the rate of interest on the Haixin Debt shall be on the base interest rate for the tenure of one to three years as of the date of the principal of the Haixin Debt Rescheduling Agreement as published by the PBOC. Interest will be calculated on the basis of actual number of days elapsed and a year of 360 days; and

(4) Effective date of this agreement means the date on which all of the following conditions have been satisfied or otherwise waived by GZE: (i) the Company having complied with all applicable requirements under the Listing Rules and those requirements imposed under applicable laws and regulations or by the Stock Exchange, the SFC, the Bermuda Court and/or any other governmental or regulatory authority of competent jurisdiction in relation to the Haixin Debt Rescheduling Agreement and the transactions contemplated thereunder; (ii) the Debt Restructuring having become effective in accordance with its terms; (iii) a resumption of trading in the Shares having been unconditionally or conditionally approved by the Stock Exchange; (iv) each condition precedent (or such other condition) required to be satisfied pursuant to the terms of each other document in relation to the Creditors' Scheme and the Resumption Proposal (other than that all the conditions precedent of the Haixin Debt Rescheduling Agreement having been fulfilled or waived) having been satisfied or waived for the purpose of making each document in relation to the Creditors' Scheme and the Resumption Proposal effective in accordance with its terms; and (v) the Company having obtained the approval of the Independent Shareholders in general meeting in respect of the Whitewash Waiver; and (vi) the grant of the Whitewash Waiver by the Executive. If the conditions above are not satisfied on or before 31 May 2015 (or such other date as the parties thereto may agree in writing), any party thereto may terminate the Haixin Debt

Rescheduling Agreement by giving each other party thereto not less than 30 days' written notice and, upon termination of the Haixin Debt Rescheduling Agreement, all the obligations of the parties thereto shall immediately cease and none of the parties thereto shall have any claim against any other party thereto in respect of any matter arising out of or in connection with the Haixin Debt Rescheduling Agreement, save for any antecedent breaches. As disclosed in the Company's announcement dated 28 May 2015, on 28 May 2015, the Company and GZE have entered into a supplemental agreement, pursuant to which the parties agreed to extend the long stop date of the Haixin Debt Rescheduling Agreement to 31 July 2015.

GZE Excess Liabilities Undertaking

To provide cover for any potentially unidentified liability of the Restructured Group described in any of the scope of limitations listed in the auditors' opinions on the financial statements of the Group for the year ended 31 December 2013, GZE has executed the GZE Excess Liabilities Undertaking in favour of the Company. The GZE Excess Liabilities Undertaking shall become effective when the following conditions have been satisfied or waived by GZE:

(i) the Company having complied with all applicable requirements under the Listing Rules and those requirements imposed under applicable laws and regulations or by the Stock Exchange, the SFC, the Bermuda Court and/or any other governmental or regulatory authority of competent jurisdiction in relation to the GZE Excess Liabilities Undertaking and the transactions contemplated thereunder;

(ii) the Debt Restructuring having become effective;

(iii) a resumption of trading in the Shares having been unconditionally or conditionally approved by the Stock Exchange;

(iv) each condition precedent (or such other condition) required to be satisfied pursuant to the terms of each other document in relation to the Creditors' Scheme and the Resumption Proposal (other than that all the conditions precedent of the GZE Excess Liabilities Undertaking having been fulfilled or waived) having been satisfied or waived for the purpose of making each document in relation to the Creditors' Scheme and the Resumption Proposal effective in accordance with its terms;

(v) the Company having obtained the approval of the Independent Shareholders in general meeting in respect of the Whitewash Waiver; and

(vi) the grant of the Whitewash Waiver by the Executive.

If the total indebtedness of the Restructured Group as at 31 January 2015 exceeds the amount set forth in the indebtedness statement of the Restructured Group as at 31 January 2015, GZE shall, subject to certain conditions and upon demand by the Company, pay to the Company (or such other person as the Company may specify) the full amount of such Excess Liabilities. As at the Latest Practicable Date, there is no Excess Liabilities claimed.

If the conditions above are not satisfied on or before 31 May 2015 (or such other date as the parties thereto may agree in writing), either party thereto may terminate the GZE Excess Liabilities Undertaking by giving the other party thereto not less than 30 days' written notice and, upon termination of the GZE Excess Liabilities Undertaking, all the obligations of the parties shall immediately cease and neither party shall have any claim against the other party in respect of any matter arising out of or in connection with the GZE Excess Liabilities Undertaking. As at the Latest Practicable Date, the conditions (ii) and (iii) set out above have been satisfied. As disclosed in the Company's announcement dated 28 May 2015, on 28 May 2015, the Company and GZE have entered into a supplemental agreement, pursuant to which the parties agreed to extend the long stop date of the GZE Excess Liabilities Undertaking to 31 July 2015.

Assumption Agreement

TQS entered into the Assumption Agreement with Fame Dragon and the Company in respect of the indebtedness arising from certain accounts payables and other payables of TQS, pursuant to which Fame Dragon agrees to assume certain debts payable by TQS in consideration for the Company agreeing to allot and issue new Shares, subject to the verification by auditors appointed by Fame Dragon and the compliance with any applicable requirements under the Listing Rules, at the issue price of HK$0.1 per Share to the extent that immediately after the issue of any such Assumption Consideration Shares from time to time at least 25% of the Company's total issued share capital shall be held by the members of the public. Under the Assumption Agreement, no further Assumption Consideration Shares shall be issued after the 5th anniversary of the date of the resumption of trading in the Shares, and Fame Dragon will assume liabilities up to a maximum amount of RMB282,056,122.05 (equivalent to HK$359,542,041.5 based on the exchange rate of RMB1.00 to HK$1.274718091). Accordingly, the number of Assumption Consideration Shares to be issued to Fame Dragon shall not exceed 2,282,024,653 Shares upon resumption of trading of the Shares on the Stock Exchange based on the existing issued share capital of the Company and shall not exceed 3,595,420,415 Shares throughout five years from the date of the resumption of trading in the Shares.

The completion of the Assumption Agreement is conditional upon:

(i) the Stock Exchange having granted the listing of, and permission to deal in, the Assumption Consideration Shares;

(ii) the Debt Restructuring having become effective in accordance with its terms;

(iii) the Stock Exchange having granted the approval-in-principle for the resumption of trading in Shares;

(iv) all authorisations necessary for the implementation of the transactions contemplated by the Assumption Agreement having been obtained or compiled with including any applicable requirements under the Listing Rules;

(v) each condition precedent (or such other condition) required to be satisfied pursuant to the terms of each other document in relation to the Creditors' Scheme and the Resumption Proposal (other than that all the conditions precedent of the Assumption Agreement having been fulfilled or waived) having been satisfied or waived for the purpose of making each document in relation to the Creditors' Scheme and the Resumption Proposal effective in accordance with its terms;

(vi) the Company having obtained the approval of the Independent Shareholders in general meeting in respect of the Whitewash Waiver; and

(vii) the grant of the Whitewash Waiver by the Executive.

None of the above conditions precedent may be waived. As at the Latest Practicable Date, the conditions (ii) and (iii) set out above have been satisfied. In the event that the conditions precedent above are not fulfilled on or before 31 May 2015 (or such other date as the parties thereto may agree in writing), any parties to the Assumption Agreement may terminate the Assumption Agreement by giving each other party not less than 30 days' written notice and, upon termination of the Assumption Agreement, all the obligations of the parties shall immediately cease and none of the parties shall have any claims against any other party in respect of any matter arising out of or in connection with the Assumption Agreement, save for any claims arising out of any antecedent breaches thereof. As disclosed in the Company's announcement dated 28 May 2015, on 28 May 2015, the Company, TQS and Fame Dragon have entered into a supplemental agreement, pursuant to which the parties agreed to extend the long stop date of the Assumption Agreement to 31 July 2015.

Reasons for and benefits of the Assumption Agreement

Pursuant to the Assumption Agreement, Fame Dragon has agreed to assume certain debts payable by TQS in consideration of the Company agreeing to allot and issue new Shares, subject to the verification by auditors appointed by Fame Dragon and compliance with any applicable requirements under the Listing Rules, at the issue price of HK$0.1 per Share. The Directors consider that the arrangement to settle such indebtedness of the Group by way of issue of new Shares to Fame Dragon could reduce the cash outlay of the Group, which would be beneficial to the Group's financial condition and development.

The terms for the Assumption Agreement was arrived at based on arm's length negotiations between the Company and Fame Dragon. The Directors are of the opinion that the terms of the Assumption Agreement are fair and reasonable and the transactions contemplated under the Assumption Agreement are in the interests of the Company and the Shareholders as a whole.

Loan Rescheduling Agreements

Certain bank loans of the Group in the total outstanding principal amount of approximately HK$237.0 million have been assigned to Fujian Wonderful, an Independent Third Party. In this connection, TQS entered into the Loan Rescheduling Agreements with Fujian Wonderful, pursuant to which Fujian Wonderful has agreed, among other things, to postpone the first repayment date of the loan assigned to Fujian Wonderful until 3 years from the date of the respective Loan Rescheduling Agreements and shall repay the respective bank loans in a total of 8 instalments in each repayment date (repay 12.5% for each 12 months until 120 months from the date of the respective Loan Rescheduling Agreement).

Based on the best knowledge of the Directors, the ultimate beneficial owner of Fujian Wonderful is third party independent of GZE and parties acting in concert with it and its associates.

Deconsolidation of subsidiaries and jointly-controlled entity

As at 31 March 2015, the total outstanding amount due to the deconsolidated subsidiaries was approximately HK$503.1 million and amounts due to jointly-controlled entity was approximately HK$174.0 million, which will be restructured by the following methods:

– In relation to the amount due to the deconsolidated subsidiaries from TRML of approximately HK$333.3 million, the Company proposes to restructure its debts by negotiating with the liquidators of the deconsolidated subsidiaries to compromise debts pursuant to a scheme of arrangement of TRML in Hong Kong pursuant to section 670 of the Companies Ordinance which will also involve a payment to Titan Resources Management (S) Pte Ltd. (in liquidation), a company incorporated in Singapore, of approximately HK$8.5 million which is subject to verification by the liquidator and shall be funded by internal resources within the Group. The proposed TRML scheme is subject to creditors' approval and the Hong Kong court's sanction. TRML has obtained a letter of support from the liquidator in Singapore stating that he will recommend to the creditors to support the proposed scheme of TRML.

– In respect of the amount due to the deconsolidated subsidiaries from TQSL Holding of approximately HK$79.6 million, the Company proposes to execute the compromise agreement (the "Compromise Agreement") pursuant to which the amount due from TQSL Holding to the deconsolidated subsidiaries will be compromised and settled by TQSL Holding procuring the payment of

approximately HK$796,000 which is subject to verification by the liquidator and shall be funded by third party loan (which the repayment of such third party loan will be funded by the internal resources within the Group). The closing of the Compromise Agreement is subject to (i) TQSL Holding entering into appropriate terms with the third party funder in respects of the funds to be paid under the Compromise Agreement; and (ii) the liquidator having obtained the approval of creditors and/or the sanction of the High Court of Singapore (as required by applicable law) to enter into the compromise effected by the Compromise Agreement. TQSL Holding has obtained a letter of support from the liquidator in Singapore stating that he will recommend to the creditors to accept the revised proposed Compromise Agreement.

– The Group will deconsolidate Titan Oil Finance Limited. Upon the deconsolidation of Titan Oil Finance Limited, the amount due to the deconsolidated subsidiaries will be decreased by approximately HK$20.5 million.

– In respect of the amount due to the deconsolidated companies mainly from certain subsidiaries of the Group in the PRC (the "PRC Subsidiaries") of approximately HK$69.7 million, subject to the liquidation procedures of the deconsolidated subsidiaries, the Company plans to implement the restructuring of the PRC Subsidiaries, including but not limited to winding up the PRC Subsidiaries.

– The amount due from the jointly-controlled entity was approximately HK$151.8 million. Accordingly, the net amount due to the jointly-controlled entity was approximately HK$22.2 million as at 31 March 2015 and will be settled by internal resources within the Group.

D. INTERIM FINANCING ARRANGEMENTS

In order to rescue the Group, GZE has made available certain interim financing arrangements.

First Loan Agreement

On 12 March 2013, the Company entered into the First Loan Agreement with Fame Dragon, a wholly-owned subsidiary of GZE, pursuant to which Fame Dragon agreed to provide an interim financing on request of the Company of up to approximately HK$62.24 million at an interest rate of 2% per annum payable on maturity. Details of the First Loan Agreement are set out in the announcement of the Company dated 15 March 2013. The First Loan Agreement has been defaulted.

As at the Latest Practicable Date, HK$3 million has been drawn down under the First Loan Agreement.

Second Loan Agreement and Supplemental Second Loan Agreement

On 13 March 2014, the Company entered into the Second Loan Agreement with Fame Dragon in relation to the provision of an unsecured loan of HK$62.24 million by Fame Dragon to the Company at an interest rate of 2% per annum. Details of the Second Loan Agreement were set out in the announcement of the Company dated 11 March 2014. The Company fell into default under the Second Loan Agreement when it failed to (i) deliver to GZE by 15 April 2014 the Creditors' Scheme in form substantially agreed with the Provisional Liquidators and the informal creditors' committee or evidence satisfactory to GZE that binding agreements had been agreed to support the Company's debt restructuring plan; and (ii) receive by 15 May 2014, directions from the Bermuda Court to convene the meeting(s) of the Scheme Creditors for the purpose of approving the proposed scheme of arrangement.

On 10 July 2014, the Company entered into the Supplemental Second Loan Agreement with Fame Dragon to amend and extend (i) Default Deadline 1 to 15 August 2014 and (ii) Default Deadline 2 to 15 September 2014. As at the Latest Practicable Date, there was no default under the Supplemental Second Loan Agreement.

As at the Latest Practicable Date, HK$56.18 million has been received under the Supplemental Second Loan Agreement.

The 2015 Loan Agreement

On 27 February 2015, the Company entered into the 2015 Loan Agreement with Fame Dragon in relation to the provision of an uncommitted term loan of US$10 million by Fame Dragon to the Company.

The major terms of the 2015 Loan Agreement are set out below:

Parties:	a. the Company (as borrower); and b. Fame Dragon (as lender).
Loan amount:	an aggregate of US$10 million, to be made available to the Company from time to time according to the requirements of the Company.
Interest:	2% per annum.
Term:	Two years.
Security:	The loan under the 2015 Loan Agreement is unsecured.

Purpose of the loan: For meeting costs incurred by the Company in relation to the Creditors' Scheme or any other purpose agreed by Fame Dragon and the Provisional Liquidators, but not including the repayment of any debt which is included in the Creditors' Scheme.

Repayment: The loans shall be repaid in full together with the accrued interest and all other amounts payable under the 2015 Loan Agreement, whichever occurs earlier, upon (i) the loan maturity date (i.e. 2 years from the date of the 2015 Loan Agreement or such later date mutually agreed between Fame Dragon and the Company; or (ii) completion of Creditors' Scheme and received dividend payable by the joint liquidators of TGIL. The loan under the 2015 Loan Agreement will not form part of the debt to be restructured under the Creditors' Scheme.

Event of default:

a. The Company fails to make any payment to Fame Dragon which is due and payable under the provisions of the 2015 Loan Agreement;

b. Any representation, statement or warranty given by the Company under the 2015 Loan Agreement is, or at the time it was provided has been, materially incorrect, untrue or misleading;

c. Any authorisation required to be obtained for the Company to execute the 2015 Loan Agreement or perform any of its obligations under the 2015 Loan Agreement is revoked, cancelled or expires;

d. Any approval, registration or filing required to be obtained from a government body to ensure the legality, effectiveness and enforceability of the obligations of the Company under the 2015 Loan Agreement and for the 2015 Loan Agreement to be subject to the jurisdiction of the Hong Kong courts and to be enforceable is revoked, cancelled or expires;

e. The Company does not use the loan in accordance with the purpose set out in the 2015 Loan Agreement;

f. In any jurisdiction, in relation to the liquidation of the Company, other than the Provisional Liquidators, one or more liquidators, receivers, administrators, administrative receivers or other similar officers are appointed (whether temporary or not);

g. A liquidator (including the Provisional Liquidators or any other provisional liquidators) of the Company, a government official or other similar officer in any jurisdiction applicable to the Company proposes to disclaim, avoid, abandon and/or challenge the terms or validity of the 2015 Loan Agreement or any part thereof or any transactions related to or contemplated by the 2015 Loan Agreement;

h. The Stock Exchange makes a last and final decision to delist the Shares from the Main Board of the Stock Exchange and cancel the Company's listing;

i. Any material term of the Creditors' Scheme is amended or varied without the consent of Fame Dragon or the scheme documents in form and substance satisfactory to Fame Dragon are not approved by the Bermuda Court;

j. The powers and/or duties of the Provisional Liquidators as set forth in an order of the Bermuda Court dated 14 February 2014 are extended or materially amended; and

k. Any member of the Board as at the date of the 2015 Loan Agreement is dismissed or otherwise removed as a member of the Board without the prior consent of Fame Dragon.

Upon the occurrence of an event of default above, Fame Dragon has the right to declare by means of written notice that the loans already disbursed under the 2015 Loan Agreement are immediately due and payable and to demand the Company to pay immediately all principal, interest and all other payable costs due under the 2015 Loan Agreement. However, in the event the Bermuda Court shall make a winding up order in respect of the Company, Fame Dragon shall be entitled to submit a proof of debt in the Company's liquidation as an unsecured creditor for all amounts due under the 2015 Loan Agreement.

As at the Latest Practicable Date, approximately US$6 million has been received under the 2015 Loan Agreement.

E. PROPOSED OPEN OFFER

Reference is made to the announcements of the Company dated 15 March 2013 and 25 November 2013 in relation to, among other things, the proposed open offer of convertible bonds to be issued by the Company and the underwriting agreement dated 12 March 2013 entered into between the Company and Fame Dragon in respect of such proposed open offer.

The Company proposes to proceed with an open offer of new Shares instead of an open offer of convertible bonds as previously announced on 15 March 2013. The Board proposes to put forward a proposal to raise not less than approximately HK$391.0 million and not more than approximately HK$392.1 million (before expenses) by way of the Open Offer of new Shares on the basis of one Offer Share for every two existing Shares held by the Qualifying Shareholders on the Record Date with issuance of the Warrants on the same terms as those being offered to the Subscribers for no additional consideration to the Qualifying Shareholders who take up the Offer Shares on the basis of one Warrant for every one Offer Share taken up, provided always that if the Company considers that it would no longer satisfy the minimum public shareholding (i.e. 25% public float) requirement under Rule 8.08 of the Listing Rules immediately following an exercise of the subscription right under any Warrants, such exercise shall be postponed until such time as the Company is satisfied that such exercise will not result in any non-compliance of Rule 8.08 of the Listing Rules. On 5 May 2014, the Company and Fame Dragon entered into the Underwriting Agreement pursuant to which the Underwriter conditionally agreed to fully underwrite the proposed Open Offer. The Underwriting Agreement supersedes the underwriting agreement dated 12 March 2013 that was entered into between the Company and Fame Dragon with respect to the open offer of convertible bonds.

Condensed particulars on the proposed Open Offer are set out as follows:

Issue statistics

Basis of the Open Offer	One Offer Share for every two existing Shares held on the Record Date with the issuance of the Warrants on the same terms as those being offered to the Subscribers for no additional consideration to the Qualifying Shareholders who take up the Offer Shares on the basis of one Warrant for every one Offer Share taken up (see Appendix VI for a summary of terms of Warrants under the Open Offer)
Subscription price	HK$0.1 per Share
Number of Shares in issue	7,820,554,682 Shares
Number of Offer Shares	Not less than 3,910,277,341 Offer Shares and not more than 3,920,597,341 Offer Shares
Underwriting arrangement	Fully underwritten by the Underwriter whose ordinary business does not include underwriting

Conditions of the Open Offer

The consummation of the Open Offer is conditional upon (i) the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms and conditions of the Underwriting Agreement (The conditions of the Underwriting Agreement are set out in the paragraph headed "Underwriting arrangement – Conditions of the Underwriting Agreement" below); and (ii) the approval by the Independent Shareholders at the SGM.

If the conditions of the Underwriting Agreement are not fulfilled, the Open Offer will not proceed.

Application for excess Offer Shares

It is expected that any Offer Shares (i) not validly applied for by any Qualifying Shareholders under the Open Offer; (ii) to which the Non-Qualifying Shareholders would otherwise have been entitled; and (iii) created by aggregating any fractional assured entitlements will be made available for excess and equitable applications by the Qualifying Shareholders and such Offer Shares will be allocated on a fair and equitable basis.

Application for listing

If the Open Offer proceeds, application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares to be allotted and issued under the Open Offer and Warrant Shares to be allotted and issued pursuant to the Open Offer and upon the exercise of the subscription rights attaching to the Warrants.

No listing of the Warrants will be sought on the Stock Exchange or other stock exchange.

Further details of the Open Offer will be set out in the Open Offer Prospectus to be despatched to the Qualifying Shareholders in due course.

Underwriting arrangement

Underwriting Agreement

Date	5 May 2014
Underwriter	Fame Dragon or its wholly-owned subsidiary
Underwriting arrangement	Fully underwritten by Fame Dragon or its wholly-owned subsidiary
Commission	Nil

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Open Offer subject to the terms and conditions set out in the Underwriting Agreement and, in particular, the fulfilment of the conditions contained therein. Fame Dragon, which holds the voting rights of a total of 3,556,353,661 Shares (representing approximately 45.5% of the total Shares in issue as at the Latest Practicable Date) and through DBIL (a wholly-owned subsidiary of GZE) holding of the benefit of all interests arising under or in connection to the Listco Preferred Shares, is an investment holding company whose ordinary business does not include underwriting.

As the Underwriter will not be charging any underwriting fee or commission, the Directors consider that the underwriting arrangement under the Underwriting Agreement would be beneficial to the Company and would allow the Company to reduce the costs and expenses in conducting the Open Offer which the Company would otherwise have to incur if a registered brokerage firm or an investment bank was to be appointed as the underwriter.

Conditions of the Underwriting Agreement

The obligations of the Underwriter under the Underwriting Agreement are conditional on the following conditions:

(a) (if required under the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong, respectively, on or prior to the Posting Date and (if required under the Companies Act of 1981 of Bermuda) the registration by the Registrar of Companies in Bermuda prior to or as soon as practicable after the Posting Date of the Open Offer Documents (and all other documents required to be filed or delivered for registration);

(b) the posting on the Posting Date of copies of the Open Offer Documents to the Qualifying Shareholders and the Open Offer Prospectus to the Non-Qualifying Shareholders;

(c) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Offer Shares either unconditionally or subject to conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the Posting Date and the Listing Committee of the Stock Exchange not having withdrawn or revoked such listings and permission on or before 4:00 p.m. on the Settlement Date;

(d) the Stock Exchange having unconditionally or conditionally approved the resumption of trading of the Shares based on the resumption proposal submitted to the Stock Exchange (as may be supplemented or amended from time to time);

(e) the proposal for the Debt Restructuring having been approved by the Bermuda Court and such other courts and/or analogous sanction and/or recognition in any other jurisdiction, as the Company may determine to be necessary, of the proposal for the Debt Restructuring having been obtained together with all consents, approvals, sanctions and filing of documents necessary, for the purpose of making the proposal for the Debt Restructuring effective, having been obtained and done in accordance with the applicable law;

(f) all consents and approvals necessary in connection with the transaction contemplated in the Underwriting Agreement having been obtained and all applicable requirements under the Listing Rules and those requirements imposed under applicable laws and regulations or by the Stock Exchange, the SFC and/or the Bermuda Court in relation to the Underwriting Agreement and the transactions contemplated thereunder, including without limitation the approval by the Independent Shareholders of the Whitewash Waiver and the Special Deal and the grant of the Whitewash Waiver and the Special Deal consent by the Executive, having been complied with; and

(g) each condition precedent (or such other condition) required to be satisfied pursuant to the terms of each other document in relation to the Creditors' Scheme and the Resumption Proposal (other than that all the conditions precedent of the Underwriting Agreement having been fulfilled or waived) having been satisfied or waived for the purpose of making each document in relation to the Creditors' Scheme and the Resumption Proposal effective in accordance with its terms.

None of the conditions set out above can be waived. As at the Latest Practicable Date, the conditions (d) and (e) set out above have been satisfied. In the event that the conditions as set out above have not been satisfied on or before 31 May 2015 (or such later date as the parties thereto may agree in writing), any parties to the Underwriting Agreement may terminate the Underwriting Agreement by giving each other party not less than 30 days' written notice and, upon the termination of the Underwriting Agreement, all the obligations of the parties thereto shall cease and determine and none of the parties thereto shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. As disclosed in the Company's announcement dated 28 May 2015, on 28 May 2015, the Company and Fame Dragon have entered into a supplemental agreement, pursuant to which the parties agreed to extend the long stop date of the Underwriting Agreement to 31 July 2015.

Termination and Force Majeure of the Underwriting Agreement

The Underwriter may terminate the Underwriting Agreement by notice in writing issued to the Company at any time prior to 4:00 p.m. on the Settlement Date under any of the following circumstances:

(i) the powers and/or duties of the Provisional Liquidators of the Company appointed by the Bermuda Court on 18 October 2013 (Bermuda time) as set forth in an order of the Bermuda Court dated 14 February 2014 are materially extended or amended by the Bermuda Court;

(ii) the making of an order to wind up of the Company;

(iii) there is any breach of any of the warranties made by the Company in any material respect which has come to the knowledge of Fame Dragon or any event which has occurred or any matter which has arisen on or after the date of the Underwriting Agreement which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of such warranties untrue, inaccurate or misleading in any material respect; or

(iv) there is material adverse change in the financial position, business, property or operations of any member of the Group compared to that as at the date of the Underwriting Agreement.

Upon the giving of notice to terminate the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and none of the parties to the Underwriting Agreement shall have any claim against the other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement.

Reasons for the Open Offer

The Company intends to use the proceeds from the Open Offer to fund its Debt Restructuring and the repayment of the outstanding indebtedness of the Group other than those that will form part of the claims to be restructured under the Debt Restructuring. Given the financial situation of the Group and having considered other fund raising alternatives for the Group, such as placing of new Shares or other convertible bonds, and the benefits and cost of each of the alternatives, the Board considers that the Open Offer would be in the interests of the Company and the Shareholders as a whole as it would offer all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company at the same price and would enable the Qualifying Shareholders to continue to participate in the future development of the Company should they wish to do so.

F. SUBSCRIPTION OF SHARES AND WARRANTS

The Company entered into three subscription agreements with CGL Resources, New Berkeley and Wahen Investments on 9 April 2013, 9 April 2013 and 29 April 2013, respectively, in relation to the subscription of convertible bonds to be issued by the Company. As those previous subscription agreements had lapsed, CGL Resources, New Berkeley and Wahen Investments entered into the CGL Subscription Agreement, New Berkeley Subscription Agreement and First Wahen Investments Subscription Agreement respectively on 5 May 2014 with the Company for the subscription of new Shares and Warrants instead of convertible bonds to replace the previous subscription agreements they entered into with the Company. As referred to in the announcement of the Company dated 25 February 2015, the Company was informed by FEG that CGL Resources and New Berkeley would not extend the long stop date of the CGL Subscription Agreement and New Berkeley Subscription Agreement respectively and therefore the CGL Subscription Agreement and New Berkeley Subscription Agreement lapsed and became null and void. On 6 May 2015, Wahen Investments entered into the Wahen Investments Subscription Agreement to supersede the First Wahen Investments Subscription Agreement. On 27 March 2015, the Company entered into the Victory Stand Subscription Agreement with Victory Stand to replace the CGL Subscription Agreement and New Berkeley Subscription Agreement.

The Share Subscription Agreements

Pursuant to the Share Subscription Agreements, Victory Stand and Wahen Investments have conditionally agreed to subscribe for 1,300 million and 1,800 million new Shares at the subscription price of HK$0.10 per Share as well as 1,300 million and 1,800 million Warrants to be issued by the Company at no consideration, respectively.

	Victory Stand Subscription Agreement	**Wahen Investments Subscription Agreement**
Date of Agreement	27 March 2015	6 May 2015
Subscriber	Victory Stand	Wahen Investments
Subscription Shares	1,300 million (representing 4.6% of the total Shares in issue as enlarged by the Open Offer, the Share Subscriptions and the issue of new Shares pursuant to Creditors' Scheme, Shipyard Termination Agreement and Assumption Agreement assuming no exercise of the Share Options and other convertible securities of the Company)	1,800 million (representing 6.3% of the total Shares in issue as enlarged by the Open Offer and the Share Subscriptions and the issue of new Shares pursuant to Creditors' Scheme, Shipyard Termination Agreement and Assumption Agreement assuming no exercise of the Share Options and other convertible securities of the Company)
Subscription Amount	HK$130 million	HK$180 million
Warrants	1,300 million	1,800 million
Warrant Shares	1,300 million	1,800 million

Conditions to completion of the Share Subscriptions

Completion of each of the Share Subscription Agreements is subject to the following conditions:

(i) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares and the Warrant Shares;

(ii) the Stock Exchange having unconditionally or conditionally approved the resumption of trading of the Shares based on the resumption proposal to be submitted to the Stock Exchange (as may be supplemented or amended from time to time);

(iii) the Creditors' Scheme having been approved by the Bermuda Court together with all consents, approvals, sanctions and filing of documents necessary for the purpose of making the Creditors' Scheme effective having been obtained and done in accordance with the applicable law;

(iv) all consents and approvals necessary (whether from the courts, the Bermuda Monetary Authority, governmental or regulatory authorities in whatever jurisdictions) in connection with the Share Subscriptions, the allotment and issue of the Subscription Shares, the Warrants and the Warrant Shares and the transactions contemplated in the Share Subscription Agreements having been obtained and all applicable requirements under the Listing Rules and those requirements imposed under applicable laws and regulations or by the Stock Exchange, the SFC and/or the courts of Bermuda in relation to the Share Subscription Agreements and the transactions contemplated thereunder, including without limitation the approval by the Independent Shareholders (as defined in Chapter 14A of the Listing Rules) of the Company who are permitted to vote under the Listing Rules of the Share Subscription Agreements and the transactions contemplated in the Share Subscription Agreements, including the issue of the Subscription Shares, the Warrants and the Warrant Shares, at a special general meeting of the Company (if required under the Listing Rules), having been complied with;

(v) each condition precedent (or such other condition) required to be satisfied pursuant to the terms of each other document in relation to the Creditors' Scheme and the Resumption Proposal (other than that all the conditions precedent of the Share Subscription Agreements having been fulfilled or waived) having been satisfied or waived for the purpose of making each document in relation to the Creditors' Scheme and the Resumption Proposal effective in accordance with its terms;

(vi) the Company having obtained the approval of the Independent Shareholders in general meeting in respect of the Whitewash Waiver; and

(vii) the grant of Whitewash Waiver by the Executive.

None of the conditions set out above can be waived. As at the Latest Practicable Date, the conditions (ii) and (iii) set out above have been satisfied. If the conditions are not fulfilled on or before 31 July 2015 (or such later date as may be agreed between the Subscribers and the Company in writing), the Share Subscription Agreements shall lapse and become null and void and the parties will be released from all obligations thereunder, save for any liability arising out of any antecedent breaches of the Share Subscription Agreements.

Subject to the fulfillment of the above conditions, completion of the Share Subscriptions shall take place on a business day as may be specified by the Company in writing not being less than two nor more than 15 business days next following the date of fulfillment of the condition last in time to be fulfilled (or such other date as the parties may agree in writing).

Principal terms of the Warrants

Exercise price:	HK$0.12 per Warrant Share.
Adjustment to the exercise price:	The exercise price of the Warrants is subject to adjustment in the event of, among others: (a) consolidation, subdivision or reclassification of Shares; (b) capitalisation of profits or reserves; (c) dividend or distributions; (d) rights issue of other securities; and (e) other offers to Shareholders, provided that no adjustment will be made to the exercise price when Shares or other securities (including rights or options) are issued, offered or granted (i) to employees (including Directors) of the Company or any subsidiary of the Company pursuant to any employee share scheme (and which employee share scheme is in compliance with the Listing Rules or, if applicable, those of an alternative stock exchange on which the Shares are listed); (ii) pursuant to the Debt Restructuring and the transactions contemplated under the Resumption Proposal including but not limited to, the Open Offer, the Share Subscriptions, the Shipyard Termination Agreement and the Assumption Agreement; (iii) pursuant to the conversion of any Listco Preferred Shares; or (iv) pursuant to the exercise of any Warrants and FELS Warrants. Please refer to Appendix VI to this circular for details of the adjustment to the exercise price of the Warrants.
Exercise period:	Not earlier than the commencement of the third year but not later than the end of the third year after the issue of the Warrants (the "Exercise Period").
Application for listing:	No listing of the Warrants will be sought on the Stock Exchange or other stock exchange.

Conversion: Each one (1) Warrant carries the right to subscribe for one (1) Warrant Share.

Transferability: The Warrants to be issued to the Qualifying Shareholders under the Open Offer

The Warrants to be issued to the Qualifying Shareholders under the Open Offer are not transferable, except for transfer or transmission in the circumstances set out in sub-paragraphs (a) and (b) below.

(a) In cases where the holder of the Warrants acts as a nominee of its beneficial owner(s) in holding interest in the Warrants, the subscription rights shall be allowed for a one-off transfer from such nominee to its beneficial owner(s) by instrument of transfer (in any usual or common form or such other form as may be approved by the Directors) during the period from the date of issue to the end of the Exercise Period.

(b) If a holder of the Warrants dies, the survivor or survivors where the deceased was a joint holder, and his legal representatives where he was a sole or only surviving holder, will be the only person(s) recognised by the Company as having any title to interest of the holder of the Warrants in the Warrants. Subject to any applicable laws or regulations, any person becoming entitled to the Warrants in consequence of the death of a holder of the Warrants may, upon such evidence as to his title being produced as may be required by the Board, elect either to become the holder of the Warrants or to nominate his nominee or the estate executor to be registered as the transferee thereof. If he elects to become the holder he shall notify the Company in writing either at the principal place of business of the Company in Hong Kong to that effect. If he elects to have the relevant nominee registered he shall execute an instrument of transfer (in any usual or common form or such other form as may be approved by the Directors) of the Warrants in favour of that person during the period from the date of issue to the end of the Exercise Period.

The Warrants to be issued to the Subscribers

The Warrants to be issued to the Subscribers pursuant to the Share Subscriptions in any events are not transferable.

Rights to vote or dividend: Holders of the Warrants will not have the right to vote or to consent or to receive notice as Shareholders in respect of any meeting of Shareholders, or to receive dividends.

Public float restriction: If the Company considers that it would no longer satisfy the minimum public shareholding (i.e. 25% public float) requirement under Rule 8.08 of the Listing Rules immediately following an exercise of the subscription right under any Warrants, such exercise shall be postponed until such time as the Company is satisfied that such exercise will not result in any non-compliance of Rule 8.08 of the Listing Rules.

Winding up: If an effective resolution is passed for the voluntary winding up of the Company and if such winding up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the holders of the Warrants, or some person designated by them for such purpose by special resolution, will be a party or in conjunction with which a proposal is made to the holders of the Warrants and is approved by special resolution, the terms of such scheme of arrangement or (as the case may be) proposal will be binding on all the holders of the Warrants.

In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purpose of considering, and if thought fit, resolving to approve the voluntarily winding-up of the Company, the Company shall forthwith give notice thereof to each holder of the Warrants and thereupon, every holder of the Warrants (or, in the case of joint holders, the holder whose name stands first in the register in respect of the Warrant held by such holders) shall be entitled by irrevocable surrender of his Warrant certificate(s) to the registrar with the subscription form(s) duly completed, together with payment of the exercise moneys (or the relative portion thereto), to exercise the subscription rights represented by such Warrants whereupon the Company shall deliver the Shares to the holder of the Warrants no later than the day immediately prior to the date of the proposed shareholders' meeting and shall procure that the holder of the Warrants be registered as a member of the Company in time for it to be able to attend and vote at such shareholders' meeting.

Subject to the foregoing, if the Company is wound up, all subscription rights which have not been exercised at the date of the passing of such resolution shall lapse and Warrant certificates shall cease to be valid for any purpose.

Subscription Shares and Warrant Shares

The subscription price of HK$0.10 per Subscription Share represents (i) a discount of approximately 59.35% to the closing price of HK$0.246 per Share on the Last Trading Day; and (ii) a premium of approximately HK$0.59 over the audited net liability value per Share as at 31 December 2014.

The exercise price of HK$0.12 per Warrant Share represents (i) a discount of approximately 51.22% to the closing price of HK$0.246 per Share on the Last Trading Day; and (ii) a premium of approximately HK$0.61 over the audited net liability value per Share as at 31 December 2014.

Specific mandate will be obtained from the Shareholders at the SGM for the issue of the Subscription Shares and the Warrant Shares.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Warrant Shares to be allotted and issued pursuant to the Share Subscriptions and upon exercise of the subscription rights attaching to the Warrants, respectively.

The Subscription Shares and the Warrant Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares in issue on the date of allotment and issue of the Subscription Shares or the Warrant Shares (as the case may be).

The Warrant Shares, when issued, are freely transferrable and are not subject to any lock-up period.

Termination of the Share Subscription Agreements

Each of the Share Subscription Agreements shall terminate on the date when the relevant Subscriber issues a written notice to the Company upon the occurrence of any of the following events (unless the right to issue such notice upon the occurrence of such event has been waived by the relevant Subscriber in writing):

(i) the powers and/or duties of the Provisional Liquidators of the Company appointed by the Bermuda Court on 18 October 2013 (Bermuda time) as set forth in an order of the Bermuda Court dated 14 February 2014 are extended or amended by the Bermuda Court;

(ii) the appointment of one or more liquidators, receivers, administrators, administrative receivers or other similar officers (other than the Provisional Liquidators) for the liquidation of the Company (or the affairs of TSQL Holding and/or TPFL) in any jurisdiction (whether temporary or not) at any time after the date of the relevant Share Subscription Agreements;

(iii) the making of an order by a court of competent jurisdiction to restrict or limit the power of the Board (or the affairs of TSQL Holding and/or TPFL) to control the management of the Company's affairs (or the affairs of TSQL Holding and/or TPFL);

(iv) any member of the Board as at the dates of the relevant Share Subscription Agreements is dismissed or otherwise removed as a member of the Board without the prior consent of the relevant Subscribers;

(v) the making of an order to wind up of the Company (or the affairs of TSQL Holding and/or TPFL); or

(vi) there is any breach of any of the warranties made by the Company in any material respect which has come to the knowledge of the relevant Subscriber or any event which has occurred or any matter which has arisen on or after the date of the relevant Share Subscription Agreements and prior to completion

which if it had occurred or arisen before the date of the relevant Share Subscription Agreements would have rendered any of such warranties untrue, inaccurate or misleading in any material respect.

Upon termination of any of the Share Subscription Agreements, the obligations of the parties shall immediately cease and neither party shall have any claims against the other party in respect of any matter arising out of or in connection with the relevant Share Subscription Agreements, save for any antecedent breaches.

Information on the Subscribers

Wahen Investments is an investment holding company directly wholly-owned by Mr. Zhao who is the chairman, chief executive and an executive Director as at the Latest Practicable Date. Accordingly, Wahen Investments is a connected person of the Company. Prior to entering into the Wahen Investments Subscription Agreement, Wahen Investments and Mr. Zhao have not had any shareholding interests in the Company. Each of Wahen Investments and Mr. Zhao is independent of and not a party acting in concert (as defined in the Takeovers Code) with GZE, Fame Dragon and parties acting in concert with any of them.

Victory Stand is a company incorporated in Samoa and wholly-owned by Mr. Wang Jianqing. Mr. Wang Jianqing is the controlling shareholder of Yuan Heng Gas Holdings Limited, a company listed on the Stock Exchange (stock code: 332). To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Victory Stand and its ultimate beneficial owner are not connected persons of the Company and are third parties independent of GZE, Fame Dragon and parties acting in concert with any of them.

Reasons for the Share Subscriptions

The Share Subscriptions, if they proceed, will provide funding for the Debt Restructuring and the repayment of the outstanding indebtedness of the Group (other than those that will form part of the claims to be restructured under the Debt Restructuring).

The Wahen Investments Subscription Agreement demonstrates Mr. Zhao's support and commitment on the Company.

The Directors consider that the terms of the Share Subscription Agreements, including the subscription price of the Subscription Shares and the exercise price of the Warrants, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Having considered that (i) the Warrants will be issued to the Shareholders who take up the Offer Shares at no consideration; (ii) the issue of the Warrants provides opportunity for the Company to raise fund without immediately diluting the shareholding interest; and (iii) the issue of the Warrants would enable the Shareholders to continue to

participate the future development of the Group, the Directors consider the issue of the Warrants is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Previous fund raising exercise of the Company

The Company did not raise any funds by the issue of equity securities during the twelve months immediately preceding the Latest Practicable Date.

G. USE OF PROCEEDS OF THE OPEN OFFER AND SHARE SUBSCRIPTIONS

The aggregate gross proceeds from the Open Offer and the Share Subscriptions will amount to approximately HK$701.0 million. The aggregate net proceeds from the Open Offer and Share Subscriptions (after deducting the costs and expenses) are estimated to be approximately HK$655.8 million, representing the net price of approximately HK$0.09 per Subscription Share or Offer Share. The aggregate net proceeds of approximately HK$655.8 million are expected to be applied as to (i) a maximum of HK$337.8 million for the Debt Restructuring and the repayment of the outstanding indebtedness of the Group (other than those that will form part of the claims to be restructured under the Debt Restructuring); (ii) approximately of HK$200.4 million for the upgrade and modification of the Quanzhou Shipyard, the PRC; and (iii) the remaining of approximately HK$117.6 million for the working capital of the Group. The gross and net proceeds of approximately HK$841.2 million and HK$838.8 million respectively from the exercise of the subscription rights attaching to the Warrants, if it occurs, are expected to be utilised by the Company as general working capital.

H. SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company has in issue (i) 7,820,554,682 Shares; (ii) outstanding Share Options entitling the holders thereof to subscribe for a total of 20,640,000 Shares; (iii) 555,000,000 outstanding Listco Preferred Shares entitling the holder thereof to convert those shares into 555,000,000 Shares based on the conversion ratio of 1:1; and (iv) the Listco Convertible Notes in the outstanding principal amount of US$47,960,000 entitling holders thereof to convert those notes into 523,483,348 Shares based on the conversion rate of 10,915 Shares per US$1,000.

Based on the best knowledge of the Directors, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Open Offer (assuming no exercise of the Share Options and the Warrants); (iii) immediately upon completion of the Open Offer (assuming no exercise of the Share Options and the Warrants) and Share Subscriptions (assuming no exercise of Warrants); (iv) immediately upon completion of the Open Offer (assuming no exercise of the Share Options and the Warrants), Share Subscriptions (assuming no exercise of Warrants) and debt settlement (including the issue of 9,382,164,000 new Shares under the Shipyard Termination Agreement, the issue of 1,926,810,834 new Shares to the holders of Existing Notes and the issue of 2,282,024,653 new Shares under the Assumption Agreement); (v) immediately upon completion of the Open Offer (assuming no exercise of the Share Options but all Warrants are exercised), Share Subscriptions (assuming all Warrants are exercised), debt settlement (including the issue of

9,382,164,000 new Shares under the Shipyard Termination Agreement, the issue of 1,926,810,834 new Shares to the holders of Existing Notes and the issue of 2,282,024,653 new Shares under the Assumption Agreement); (vi) immediately upon completion of the Open Offer (assuming no exercise of the Share Options and the Warrants), Share Subscriptions (assuming no exercise of Warrants), debt settlement (including the issue of 9,382,164,000 new Shares under the Shipyard Termination Agreement, the issue of 1,926,810,834 new Shares to the holders of Existing Notes and the issue of maximum number of Assumption Consideration Shares of 2,282,024,653 new Shares under the Assumption Agreement), and the exercise of the warrants granted to FELS under the Management Services Agreement; and (vii) immediately upon completion of the Open Offer (assuming no exercise of Share Options but all Warrants are exercised), Share Subscriptions (assuming all Warrants are exercised), debt settlement (including the issue of 9,382,164,000 new Shares under the Shipyard Termination Agreement, the issue of 1,926,810,834 new Shares to the holders of Existing Notes and the issue of 2,282,024,653 new Shares under the Assumption Agreement) and the exercise of the warrants granted to FELS under the Management Services Agreement; (viii) immediately upon completion of the Open Offer (assuming no exercise of Share Options and the Warrants), Share Subscriptions (assuming no exercise of Warrants), debt settlement (including the issue of 9,382,164,000 new Shares to GZE under the Shipyard Termination Agreement, the issue of 1,926,810,834 new Shares to the holders of Existing Notes and the issue of 2,282,024,653 new Shares to Fame Dragon under the Assumption Agreement), the exercise of the warrants granted to FELS under the Management Services Agreement and the conversion of the Listco Preferred Shares; and (ix) immediately upon completion of the Open Offer (assuming all Share Options are exercised and all Warrants are exercised), Share Subscription (assuming all Warrants are exercised), debt settlement (including the issue of 9,382,164,000 new Shares to GZE under the Shipyard Termination Agreement, the issue of 1,926,810,834 new Shares to the holders of Existing Notes and the issue of the maximum number of Assumption Consideration Shares of 3,595,420,415 new Shares to Fame Dragon under the Assumption Agreement), the conversion of the Listco Preferred Shares and the exercise of warrants granted to FELS under the Management Services Agreement.

Shareholders	(i) As at the Latest Practicable Date		(ii) Immediately upon completion of the Open Offer (assuming no exercise of Share Options and the Warrants)				(iii) Immediately upon completion of the Open Offer (assuming no exercise of Share Options and the Warrants) and Share Subscriptions (assuming no exercise of Warrants)			
			Assuming no Shareholder take up the Offer Shares		Assuming all Shareholders take up the Offer Shares		Assuming no Shareholder take up the Offer Shares		Assuming all Shareholders take up the Offer Shares	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Fame Dragon	3,556,353,661	45.5	7,466,631,002	63.6	5,334,530,491	45.5	7,466,631,002	50.3	5,334,530,491	36.0
GZE	–	–	–	–	–	–	–	–	–	–
GZE and parties acting in concert with it	3,556,353,661	45.5	7,466,631,002	63.6	5,334,530,491	45.5	7,466,631,002	50.3	5,334,530,491	36.0
Wahen Investments	–	–	–	–	–	–	1,800,000,000	12.1	1,800,000,000	12.1
Share Option holders (Director)	–	–	–	–	–	–	–	–	–	–
Moral Base Investment Limited *(Note 1)*	1,000,000,000	12.8	1,000,000,000	8.5	1,500,000,000	12.8	1,000,000,000	6.7	1,500,000,000	10.1
Victory Stand	–	–	–	–	–	–	1,300,000,000	8.8	1,300,000,000	8.8
FELS *(Note 2)*	–	–	–	–	–	–	–	–	–	–
Holders of Existing Notes *(Note 3)*	84,520,000	1.1	84,520,000	0.7	126,780,000	1.1	84,520,000	0.6	126,780,000	0.9
Share Option holders (other employees)	–	–	–	–	–	–	–	–	–	–
Others public Shareholders	3,179,681,021	40.7	3,179,681,021	27.1	4,769,521,532	40.7	3,179,681,021	21.4	4,769,521,532	32.2
Public	3,264,201,021	41.7	4,264,201,021 *(Note 5)*	36.4 *(Note 5)*	4,896,301,532	41.7	5,564,201,021 *(Note 5)*	37.5 *(Note 5)*	6,196,301,532	41.8
Total	7,820,554,682	100.0	11,730,832,023	100.0	11,730,832,023	100.0	14,830,832,023	100.0	14,830,832,023	100.0

Shareholders	(iv) immediately upon completion of the Open Offer (assuming no exercise of Share Options and the Warrants), Share Subscriptions (assuming no exercise of Warrants) and debt settlement (including the issue of 9,382,164,000 new Shares to GZE under the Shipyard Termination Agreement, the issue of 1,926,810,834 new Shares to the holders of Existing Notes and the issue of 2,282,024,653 new Shares to Fame Dragon under the Assumption Agreement)				(v) immediately upon completion of the Open Offer (assuming no exercise of Share Options but all Warrants are exercised), Share Subscriptions (assuming all of Warrants are exercised) and debt settlement (including the issue of 9,382,164,000 new Shares to GZE under the Shipyard Termination Agreement, the issue of 1,926,810,834 new Shares to the holders of Existing Notes and the issue of 2,282,024,653 new Shares to Fame Dragon under the Assumption Agreement)			
	Assuming no Shareholder take up the Offer Shares		Assuming all Shareholders take up the Offer Shares		Assuming no Shareholder take up the Offer Shares		Assuming all Shareholders take up the Offer Shares	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Fame Dragon	9,748,655,655	34.3	7,616,555,144	26.8	13,658,932,996	38.5	9,394,731,974	26.5
GZE	9,382,164,000	33.0	9,382,164,000	33.0	9,382,164,000	26.5	9,382,164,000	26.5
GZE and parties acting in concert with it	19,130,819,655	67.3	16,998,719,144	59.8	23,041,096,996	65.0	18,776,895,974	53.0
Wahen Investments	1,800,000,000	6.3	1,800,000,000	6.3	3,600,000,000	10.2	3,600,000,000	10.2
Share Option holders (Director)	–	–	–	–	–	–	–	–
Moral Base Investment Limited *(Note 1)*	1,000,000,000	3.5	1,500,000,000	5.3	1,000,000,000	2.8	2,000,000,000	5.6
Victory Stand	1,300,000,000	4.6	1,300,000,000	4.6	2,600,000,000	7.3	2,600,000,000	7.3
FELS *(Note 2)*	–	–	–	–	–	–	–	–
Holders of Existing Notes *(Note 3)*	2,011,330,834	7.1	2,053,590,834	7.2	2,011,330,834	5.7	2,095,850,834	5.9
Share Option holders (other employees)	–	–	–	–	–	–	–	–
Others public Shareholders	3,179,681,021	11.2	4,769,521,532	16.8	3,179,681,021	9.0	6,359,362,043	17.9
Public	7,491,011,855 *(Note 5)*	26.4 *(Note 5)*	9,623,112,366 *(Note 5)*	33.9 *(Note 5)*	8,791,011,855 *(Note 5)*	24.8 *(Notes 5 and 6)*	13,055,212,877 *(Note 5)*	36.8 *(Note 5)*
Total	28,421,831,510	100.0	28,421,831,510	100.0	35,432,108,851	100.0	35,432,108,851	100.0

Shareholders	(vi) immediately upon completion of the Open Offer (assuming no exercise of Share Options and the Warrants), Share Subscription (assuming no exercise of Warrants), debt settlement (including the issue of 9,382,164,000 new Shares to GZE under the Shipyard Termination Agreement, the issue of 1,926,810,834 new Shares to the holders of Existing Notes and the issue of 2,282,024,653 new Shares to Fame Dragon under the Assumption Agreement) and the exercise of the warrants granted to FELS under the Management Services Agreement				(vii) immediately upon completion of the Open Offer (assuming no exercise of Share Options but all Warrants are exercised), Share Subscription (assuming all Warrants are exercised),debt settlement (including the issue of 9,382,164,000 new Shares to GZE under the Shipyard Termination Agreement, the issue of 1,926,810,834 new Shares to the holders of Existing Notes and the issue of 2,282,024,653 new Shares to Fame Dragon under the Assumption Agreement) and the exercise of the warrants granted to FELS under the Management Services Agreement			
	Assuming no Shareholder take up the Offer Shares		Assuming all Shareholders take up the Offer Shares		Assuming no Shareholder take up the Offer Shares		Assuming all Shareholders take up the Offer Shares	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Fame Dragon	9,748,655,655	30.9	7,616,555,144	24.1	13,658,932,996	35.4	9,394,731,974	24.4
GZE	9,382,164,000	29.7	9,382,164,000	29.7	9,382,164,000	24.3	9,382,164,000	24.3
GZE and parties acting in concert with it	19,130,819,655	60.6	16,998,719,144	53.8	23,041,096,996	59.7	18,776,895,974	48.7
Wahen Investments	1,800,000,000	5.7	1,800,000,000	5.7	3,600,000,000	9.3	3,600,000,000	9.3
Share Option holders (Director)	–	–	–	–	–	–	–	–
Moral Base Investment Limited *(Note 1)*	1,000,000,000	3.2	1,500,000,000	4.8	1,000,000,000	2.6	2,000,000,000	5.2
Victory Stand	1,300,000,000	4.1	1,300,000,000	4.1	2,600,000,000	6.7	2,600,000,000	6.7
FELS *(Note 2)*	3,122,931,542	9.9	3,122,931,542	9.9	3,122,931,542	8.1	3,122,931,542	8.1
Holders of Existing Notes *(Note 3)*	2,011,330,834	6.4	2,053,590,834	6.5	2,011,330,834	5.2	2,095,850,834	5.4
Share Option holders (other employees)	–	–	–	–	–	–	–	–
Others public Shareholders	3,179,681,021	10.1	4,769,521,532	15.1	3,179,681,021	8.2	6,359,362,042	16.5
Public	10,613,943,397 *(Note 5)*	33.6 *(Note 5)*	12,746,043,908 *(Note 5)*	40.4 *(Note 5)*	11,913,943,397 *(Note 5)*	30.9 *(Note 5)*	16,178,144,418 *(Note 5)*	42.0 *(Note 5)*
Total	31,544,763,052	100.0	31,544,763,052	100.0	38,555,040,393	100.0	38,555,040,393	100.0

Shareholders	(viii) immediately upon completion of the Open Offer (assuming no exercise of Share Options and the Warrants), Share Subscriptions (assuming no exercise of Warrants), debt settlement (including the issue of 9,382,164,000 new Shares to GZE under the Shipyard Termination Agreement, the issue of 1,926,810,834 new Shares to the holders of Existing Notes and the issue of 2,282,024,653 new Shares to Fame Dragon under the Assumption Agreement), the exercise of the warrants granted to FELS under the Management Services Agreement and the conversion of the Listco Preferred Shares				(ix) immediately upon completion of the Open Offer (assuming all Share Options are exercised and all Warrants are exercised), Share Subscription (assuming all Warrants are exercised),debt settlement (including the issue of 9,382,164,000 new Shares to GZE under the Shipyard Termination Agreement, the issue of 1,926,810,834 new Shares to the holders of Existing Notes and the issue of the maximum number of Assumption Consideration Shares of 3,595,420,415 new Shares to Fame Dragon under the Assumption Agreement), the conversion of the Listco Preferred Shares and the exercise of warrants granted to FELS under the Management Services Agreement			
	Assuming no Shareholder take up the Offer Shares		Assuming all Shareholder take up the Offer Shares		Assuming no Shareholder take up the Offer Shares		Assuming all Shareholder take up the Offer Shares	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Fame Dragon	10,303,655,655	32.1	8,171,555,144	25.5	15,547,968,758	38.4	11,263,127,736	27.8
GZE	9,382,164,000	29.2	9,382,164,000	29.2	9,382,164,000	23.2	9,382,164,000	23.2
GZE and parties acting in concert with it	19,685,819,655	61.3	17,553,719,144	54.7	24,930,132,758	61.6	20,645,291,736	51.0
Wahen Investments	1,800,000,000	5.6	1,800,000,000	5.6	3,600,000,000	8.9	3,600,000,000	8.9
Share Option holders (Director)	–	–	–	–	10,000,000	0.0	20,000,000	0.0
Moral Base Investment Limited *(Note 1)*	1,000,000,000	3.1	1,500,000,000	4.7	1,000,000,000	2.5	2,000,000,000	4.9
Victory Stand	1,300,000,000	4.0	1,300,000,000	4.0	2,600,000,000	6.4	2,600,000,000	6.4
FELS *(Note 2)*	3,122,931,542	9.7	3,122,931,542	9.7	3,122,931,542	7.7	3,122,931,542	7.7
Holders of Existing Notes *(Note 3)*	2,011,330,834	6.3	2,053,590,834	6.4	2,011,330,834	5.0	2,095,850,834	5.2
Share Option holders (other employees)	–	–	–	–	10,640,000	0.0	21,280,000	0.1
Others public Shareholders	3,179,681,021	10.0	4,769,521,532	14.9	3,179,681,021	7.9	6,359,362,043	15.7
Public	10,613,943,397 *(Note 5)*	33.1 *(Note 5)*	12,746,043,908 *(Note 5)*	39.7 *(Note 5)*	11,924,583,397 *(Note 5)*	29.5 *(Note 5)*	16,199,424,419 *(Note 5)*	40.0 *(Note 5)*
Total	32,099,763,052	100.0	32,099,763,052	100.0	40,464,716,155	100.0	40,464,716,155	100.0

Notes:

1. Moral Base Investment Limited, which is beneficially owned as to 50% by Mr. Wong Chi Leung and 50% by Ms. Wong Kwok Ying, the spouse of Mr. Wong Chi Leung, (save for their shareholding in the Company, Mr. Wong Chi Leung and Ms. Wong Kwok Ying are Independent Third Parties) will be regarded as public Shareholders if its shareholding is less than 10% of the issued share capital of the Company.

2. It is one of the conditions precedent of the Management Services Agreement that the Company having granted FELS (or such other person as FELS may specify) the convertible bonds which are convertible, at the option of the holder of such bonds, into 9.9% of the total issued share capital of the Company after completion of the Debt Restructuring and on terms as described in the announcement of the Company dated 25 November 2013 or the warrants to subscribe for 9.9% of the total issued share capital of the Company after completion of the Debt Restructuring at an indicative initial subscription price of HK$0.12 at any time during a period of four years from the issue of the warrants, as elected by FELS in its absolute discretion, and having complied with all applicable requirements under the Listing Rules or those requirements imposed by the Stock Exchange, the SFC and/or the Bermuda Court in respect of the convertible bonds or the warrants as so elected by FELS. FELS has since elected to be granted the FELS Warrants.

3. The aggregate outstanding amount and the accrued interests of the Existing Notes under the Creditors' Scheme are amounted to approximately US$181.1 million (equivalent to approximately HK$1,412.7 million). Based on the Creditors' Scheme, the aggregate number of Shares for the Creditors' Scheme will be 1,926,810,834.

4. The percentages shown are rounded to the nearest 1 decimal place. Numbers may not add up to 100% due to rounding.

5. The figures or percentages included the Shares and/or the percentage of shareholding of Moral Base Investment Limited as its shareholding is less than 10% of the issued share capital of the Company in the respective scenario.

6. Such scenario is for illustrative purpose only. If the Company considers that it would no longer satisfy the minimum public shareholding (i.e. 25% public float) requirement under Rule 8.08 of the Listing Rules immediately following an exercise of the subscription right under any Warrants, such exercise shall be postponed until such time as the Company is satisfied that such exercise will not result in any non-compliance of Rule 8.08 of the Listing Rules.

Save as disclosed above and (i) the existing shareholding of GZE and its subsidiaries in the Company; (ii) the certain arrangements, including but not limited to instrument of transfer and power of attorney executed by Saturn Petrochemical in favour of DBIL, between Saturn Petrochemical and DBIL on 10 October 2013 whereby DBIL became entitled to the benefit of all interests arising under or in connection with the Listco Preferred Shares; and (iii) the holding of the benefit of all interests arising under or in connection to the Listco Preferred Shares by GZE's subsidiary, as at the Latest Practicable Date:

a. GZE, any director of GZE and Fame Dragon or any person acting in concert with GZE does not own, control or have direction over any voting rights or rights over the Shares or convertible securities, options, warrants of the Company;

b. GZE, any director of GZE and Fame Dragon or any person acting in concert with GZE has no dealing in the securities of the Company for the period from the 6 months prior to the date of Announcement and up to the Latest Practicable Date;

c. neither GZE nor any person acting in concert with it has received any irrevocable commitment to vote for or against the Whitewash Wavier and/or the Special Deal or to take up the Shares to be provisionally allotted under the Open Offer;

d. neither GZE nor any person acting in concert with it has entered into any outstanding derivative in respect of any relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) of the Company;

e. save for the Underwriting Agreement, Shipyard Termination Agreement, Share Subscription Agreements, the Assumption Agreement and the grant of FELS Warrants to FELS under the Management Services Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of GZE which might be material to the Open Offer, the Underwriting Agreement, the Shipyard Termination Agreement, the Assumption Agreement and/or the Whitewash Wavier;

f. the Open Offer, the Underwriting Agreement and the Whitewash Waiver and the Special Deal are subject to the satisfaction or waiver of (where applicable) the relevant conditions set out under the paragraph headed "Conditions of the Underwriting Agreement" above, which includes, among other things, the Stock Exchange having unconditionally or conditionally approved the resumption of trading of Shares and the proposal for the Debt Restructuring having been approved by the Bermuda Court (which has been approved) (collectively the "Restructuring and Resumption Conditions"). Such Restructuring and Resumption Conditions may also be subject to, among other things, the terms of the Underwriting Agreement, the Shipyard Termination Agreement, the Share Subscription Agreements, the Debt Rescheduling Agreements, the Management Services Agreement, the GZE Excess Liabilities Undertaking, the First Loan Agreement, the Second Loan Agreement, the Supplemental Second Loan Agreement, the 2015 Loan Agreement; the GZE Purchase Order MOU and the FTSD Purchase Order Framework Agreement, the Assumption Agreement, the Working Capital Loan Agreements, the Loan Rescheduling Agreement, the Listco Preferred Shares Modification Deed. Save for the aforesaid, there is no agreement or arrangement to which GZE is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Open Offer, the Underwriting Agreement, the Shipyard Termination Agreement, the Assumption Agreement and/or the Whitewash Waiver;

g. there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between GZE or any persons acting in concert with it and any other person; and

h. neither GZE nor any person acting in concert with GZE has borrowed or lent any relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) in the Company.

I. INFORMATION ON THE GROUP

Before the Suspension, the Group was engaged in the operation of onshore and offshore oil storage facilities, transportation, supply and distribution of oil and chemical products, and shipbuilding and ship repair.

As disclosed in the annual report of the Company for the year ended 31 December 2014, the Group did not earn any revenue for the year ended 31 December 2014.

Onshore and offshore oil storage business

The Group previously conducted its onshore oil storage business through one of its direct wholly-owned subsidiaries, TOSIL.

On 18 June 2012, Saturn Storage, a company incorporated in BVI, served notices to exercise its redemption rights under the TGIL Preferred Shares and the TGIL Convertible Notes, the redemption monies of which were due (in the case of the TGIL Preferred Shares) within 90 days and (in the case of the TGIL Convertible Notes) immediately after the date of the redemption notice. On the same day, Saturn Storage filed an application to the BVI Court to liquidate TGIL and a winding up order against TGIL was made on 17 July 2012 and liquidators were appointed to TGIL on the same day.

Upon the liquidation of TGIL, the assets of the onshore oil storage business, comprising the oil storage facilities located in Nansha in Guangdong Province, Quanzhou in Fujian Province, Yangshan in Shanghai and Yantai in Shandong Province in the PRC, were sold by the liquidators of TGIL to an entity owned by Warburg Pincus LLC and Southernpec Corporation. That entity subsequently entered into an agreement with a subsidiary of GZE on 12 October 2012, pursuant to which the assets of the onshore oil storage business have been further transferred to GZE. Completion of that agreement took place in October 2013 and the onshore oil storage assets are now owned by GZE.

The floating storage units that the Group used for its offshore oil storage business were chartered by the Group. The owners have re-possessed those storage units.

Transportation, supply and distribution business

The Group conducted its business of transportation, supply and distribution of oil and chemical products through various subsidiaries in Singapore. Since the Suspension, the Group has placed a number of those subsidiaries into liquidation.

The tankers that the Group used for its transportation, supply and distribution business were chartered by the Group. The owners have re-possessed those tankers.

Shipbuilding and ship repair business

Due to the fierce competition and the adverse market condition of the shipbuilding industry since 2008 and TQS has been in prolonged litigation in 2012, the shipbuilding business recorded losses and the operation of TQS was suspended. TQS's repair business was not yet fully developed so that the ship repair business was not able to generate profit to offset the loss in shipbuilding business.

On 11 December 2010, the Company, TPFL and TQSL Holding entered into Shipyard Sale and Purchase Agreement with Grand China Logistics in relation to the disposal of its 95% equity interest in TQS at a consideration of RMB1,865,670,000 (equivalent to approximately HK$2,365,408,366) or a maximum reduced consideration of RMB1,465,670,000 (equivalent to approximately HK$1,858,264,366) if TQS's net profit targets for the two years ended 31 December 2012 were not met. Pursuant to a supplemental agreement signed in 2011, such net profit targets were cancelled and the consideration for the proposed disposal was fixed at RMB1,665,670,000 (equivalent to

approximately HK$2,111,836,366). While the requisite regulatory and shareholder's approvals for the first two stage payments totaling RMB800,000,000 were obtained, only RMB740,000,000 has been received to date and the equity interests in TQS have not yet been transferred to Grand China Logistics.

On 30 May 2012, Grand China Logistics commenced legal proceedings against the Company, TPFL and TQSL Holding to seek an order for, among other things, the termination of the Shipyard Sale and Purchase Agreement and repayment of the amount of RMB740,000,000 that was paid by Grand China Logistics together with accrued interest or for the Company to fulfil its obligation under its guarantee to repay such amount. On 23 August 2012, TPFL filed a counterclaim against Grand China Logistics to seek, among other remedies, specific performance by Grand China Logistics of the Shipyard Sale and Purchase Agreement.

On 10 June 2013, the Company received a notification dated 7 June 2013 from Grand China Logistics informing the Company that it had entered into an assignment with GZE pursuant to which it would assign all of its interests, rights and obligations in respect of the Shipyard Sale and Purchase Agreement to GZE.

In December 2013, the Shanghai Intermediate Court approved the withdrawal of the legal proceedings brought by Grand China Logistics and ordered the discontinuation of the counterclaim proceedings brought by TPFL.

At the time of Suspension, the Company had the following principal subsidiaries, associates and jointly-controlled entities:

Name of entities	**Principal activities**
Titan Oil (Asia) Ltd.	Investment holding
Titan FSU Investment Limited	Investment holding
Titan Oil Storage Investment Limited	Investment holding
Titan Oil Trading (Asia) Limited	Investment holding
Titan Bunkering Investment Limited	Investment holding
Harbour Sky Investments Limited	Investment holding
TSHL	Investment holding
TPFL	Investment holding
Titan Orient Lines Pte. Ltd.	Investment holding

Name of entities	Principal activities
石獅市益泰潤滑油脂貿易有限責任公司	Investment holding
TQSL Holding	Investment holding
TGIL *(note)*	Investment holding
Titan WP Storage Ltd. *(note)*	Investment holding
Titan Group Yangshan Investment Limited *(note)*	Investment holding
Sky Sharp Investments Limited *(note)*	Investment holding
Forever Fortune Holdings Limited *(note)*	Investment holding
Titan Group Nansha Investment Limited *(note)*	Investment holding
Titan Group Yantai Investment Limited *(note)*	Investment holding
Titan Investment Group Limited *(note)*	Investment holding
Titan Bunkering Pte. Ltd.	Provision of bunker refueling services
Estonia Capital Ltd.	Provision of floating storage services
Titan Storage Limited	Provision of floating storage services
Titan Libra Pte. Ltd.	Provision of financing services
Ascend Success Investments Limited	Provision of financing services
Sino Venus Pte. Ltd.	Provision of oil transportation services
Wynham Pacific Ltd.	Provision of oil transportation services
Sino Ocean Development Limited	Provision of oil transportation services

Name of entities	Principal activities
Titan Ocean Pte Ltd	Provision of ship management and agency services
Titan Mars Limited	Holding a floating storage license
TRML	Provision of consultancy services
Titan Resources Management (S) Pte. Ltd.	Provision of consultancy services
Shengsi Haixin	Supply of oil products
Titan Petrochemical (Guangzhou)	Supply of oil products
TQS	Shipbuilding and ship repair
Yangshan Shen Gang International Oil Logistics Co., Ltd. *(note)*	Operation of oil berthing and storage facilities
Guangzhou Xiaohu Petrochemical Terminal Co., Ltd. *(note)*	Terminal facilities services
Guangzhou Nansha Titan Petrochemical Development Company Limited *(note)*	Provision of onshore storage services
Fujian Titan Petrochemical Storage Development Co., Ltd. *(note)*	Provision of onshore storage services
Quanzhou Titan Petrochemical Terminal Development Co., Ltd *(note)*	Provision of onshore storage services
Yantai Titan Petrochemical Port Development Company Limited *(note)*	Provision of onshore storage services

Note:

On 17 July 2012 (BVI time), the BVI Court ordered the liquidation of TGIL, a jointly-controlled entity. This resulted to a loss of joint control over TGIL and its subsidiaries, associates and a jointly-controlled entity (collectively, the ''TGIL Group'') upon occurrence of the external restrictions and events during the year ended 2012.

J. UPDATE ON BUSINESS STRATEGIES AND DEVELOPMENT

In order to provide sustainable revenue and cashflow to the Group and sustain the business operation of the Group, the Directors have proposed the followings business strategies and entered into various agreements in order to facilitate the business strategies accordingly.

Re-activate our shipbuilding and ship repair business

The Group started to engage in shipbuilding and ship repair operations in 2007. Prior to Suspension, the Group had successfully completed and delivered a total of 16 tankers of various types and models.

The Directors believe that based on the Group's past track record, the best option for the Group to rebuild its business would be to re-activate its shipbuilding and ship repair business by utilising TQS and the qualified and experienced work force that it has retained there. Thus, on 5 May 2014, the Company, TPFL and TQSL Holding entered into the Shipyard Termination Agreement with GZE, pursuant to which the parties conditionally agreed that the Shipyard Sale and Purchase Agreement be terminated.

Shipyard Termination Agreement

On 5 May 2014, the Company, TPFL and TQSL Holding entered into the Shipyard Termination Agreement with GZE, pursuant to which the parties conditionally agreed that the Shipyard Sale and Purchase Agreement be terminated and with respect to the amount of RMB740,000,000 (equivalent to approximately HK$938,216,400) that was originally paid by Grand China Logistics to TPFL and TQSL Holding the rights to which were subsequently assigned to GZE, the Company will issue 9,382,164,000 new Shares at the issue price of HK$0.10 to GZE in lieu of repayment of such amount.

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

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

(b) the Debt Restructuring having become effective;

(c) a resumption of trading in the Shares having been unconditionally or conditionally approved by the Stock Exchange;

(d) each condition precedent (or such other condition) required to be satisfied pursuant to the terms of each other document in relation to the Creditors' Scheme and the Resumption Proposal (other than that all the conditions precedent of the Shipyard Termination Agreement having been fulfilled or waived) having been satisfied or waived for the purpose of making each document in relation to the Creditors' Scheme and the Resumption Proposal effective in accordance with its terms;

(e) the Company having obtained the approval of the Independent Shareholders in general meeting in respect of the Whitewash Waiver; and

(f) the grant of the Whitewash Waiver by the Executive.

None of the above conditions can be waived. As at the Latest Practicable Date, the conditions (b) and (c) set out above have been satisfied. If the above conditions are not fulfilled on or before 31 May 2015 (or such later date as may be agreed among the parties in writing), the Shipyard Termination Agreement shall thereupon lapse and become null and void and the parties will be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof. As disclosed in the Company's announcement dated 28 May 2015, on 28 May 2015, the Company, TPFL and TQSL Holdings have entered into a supplemental agreement, pursuant to which the parties agreed to extend the long stop date of the Shipyard Termination Agreement to 31 July 2015.

Subject to the fulfillment of the conditions, completion of the issue of Shipyard Termination Shares to GZE shall take place on a business day as may be specified by the Company in writing not being less than two nor more than 15 business days next following the date of fulfillment of the condition last in time to be fulfilled (or such other date as the parties may agree in writing).

The Shipyard Termination Agreement shall terminate upon the occurrence of each of the following:

(i) the powers and/or duties of the Provisional Liquidators appointed by the Bermuda Court on 18 October 2013 (Bermuda time) as set forth in an order of the Bermuda Court dated 14 February 2014 are materially extended or amended by the Bermuda Court;

(ii) the making of an order to wind up the Company;

(iii) there is any breach of any of the warranties made by the Company in any material respect which has come to the knowledge of GZE or any event which has occurred or any matter which has arisen on or after the date of the Shipyard Termination Agreement which if it had occurred or arisen before the date thereof would have rendered any of such warranties untrue, inaccurate or misleading in any material respect; or

(iv) the Shipyard Termination Agreement is terminated by applicable laws or regulations.

If the Shipyard Termination Agreement is terminated pursuant to the above, no party may raise any claim against any other party with respect to the costs, damages, indemnity or other issues under the agreement, unless such claim arises because of any violation to the agreement before such termination.

Reasons for and benefits of the Shipyard Termination Agreement

The amount of RMB740 million currently owed by TPFL and TQSL Holding to GZE arose from the aborted sale by TPFL and TQSL Holding of an aggregate of 95% equity interest in TQS to Grand China Logistics pursuant to the Shipyard Sale and Purchase Agreement, the interests, rights and obligations of which were assigned by Grand China Logistics, an Independent Third Party, to GZE. The Directors consider that the arrangement to settle such indebtedness of the Group by way of issue of new Shares to GZE could reduce the cash outlay of the Group, which would be beneficial to the Group's financial condition and development.

The terms for the Shipyard Termination Agreement were arrived at based on arm's length negotiations amongst the Company, TPFL, TQSL Holding and GZE. The Directors are of the opinion that the terms of the Shipyard Termination Agreement are fair and reasonable and the transactions contemplated under the Shipyard Termination Agreement are in the interest of the Company and the Shareholders as a whole.

GZE Purchase Order MOU and FTSD Purchase Order Framework Agreement

The Group will seek both to re-establish connections with past customers as well as to actively pursue new business opportunities, including potential referrals from the business contacts of GZE and FEG. To demonstrate their commitment to the Group and to provide their full support to enable the Group to start re-building its business. On 5 May 2014, the Company entered into the FTSD Purchase Order Framework Agreement with FTSD, a subsidiary of FEG, and the GZE Purchase Order MOU with GZE. As at the Latest Practicable Date, FTSD and FEG have no shareholding in the Company.

FTSD Purchase Order Framework Agreement

Pursuant to the FTSD Purchase Order Framework Agreement, which is legally-binding, FTSD has agreed that it will, and will procure purchase orders to be placed with TQS for the construction of one semi-submersible and two jackups within one year from the effective date of the FTSD Purchase Order Framework Agreement, at prices to be determined by arm's length negotiations based on prevailing market price, subject to the FTSD Purchase Order Framework Agreement becoming effective upon the satisfaction of the following conditions:

(a) the Company having complied with all applicable requirements under the Listing Rules and those requirements imposed under applicable laws and regulations or by the Stock Exchange, the SFC, the Bermuda Court and/or any

other governmental or regulatory authority of competent jurisdiction in relation to the FTSD Purchase Order Framework Agreement and the transactions contemplated thereunder;

(b) the Debt Restructuring having become effective;

(c) trading in the Shares having resumed on the Stock Exchange; and

(d) the Management Services Agreement having become effective in accordance with its terms,

in each case on or before 31 May 2015 (or such later date as the parties may agree in writing). Extension of the long stop date to 31 July 2015 was agreed by the parties in writing on 6 May 2015.

As at the Latest Practicable Date, the condition (b) set out above has been satisfied.

GZE Purchase Order MOU

Pursuant to the GZE Purchase Order MOU, which is non-legally binding, GZE has agreed in principle that subject to the following conditions:

(a) the Debt Restructuring having become effective;

(b) resumption of trading in the Shares having been unconditionally or conditionally approved by the Stock Exchange;

(c) each condition precedent (or such other condition) required to be satisfied pursuant to the terms of each other document in relation to the Creditors' Scheme and the Resumption Proposal (other than that all the conditions precedent of the GZE Purchase Order MOU having been fulfilled or waived) having been satisfied or waived for the purpose of making each document in relation to the Creditors' Scheme and the Resumption Proposal effective in accordance with its terms;

(d) the Company having obtained the approval of the Independent Shareholders in general meeting in respect of the Whitewash Waiver;

(e) the grant of the Whitewash Waiver by the Executive; and

(f) the Quanzhou Shipyard being reasonably suitable for carrying on the business of the construction, repair, conversion and upgrading of mobile offshore drilling units and FPSO, FSO, FSRU and FLNG,

in each case having been satisfied on or before 31 May 2015 (or such later date as the parties may agree in writing), it will or will procure purchase orders to be placed with TQS for the construction of two semi-submersibles, four jackups and two FSRU at prices to be determined by arm's length negotiations based on prevailing market price.

If the conditions above are not satisfied on or before 31 May 2015 (or such other date as the parties thereto may agree in writing), either party thereto may terminate the GZE Purchase Order MOU by giving the other party thereto not less than 30 days' written notice and, upon termination of the GZE Purchase Order MOU, all obligations of the parties shall immediately cease and neither party shall have any claim against the other party in respect of any matter arising out of or in connection with the GZE Purchase Order MOU. As at the Latest Practicable Date, the condition (a) and b set out above have been satisfied. As disclosed in the Company's announcement dated 28 May 2015, on 28 May 2015, the Company and GZE have entered into a supplemental agreement, pursuant to which the parties agreed to extend the long stop date of the GZE Purchase Order MOU to 31 July 2015.

Modification and Upgrading of Quanzhou Shipyard

The Group needs to carry out certain modification and upgrading works to its production facilities at the Quanzhou Shipyard in order for them to be utilised for the construction, repair, conversion and upgrading of oil rigs, FPSO, FSO, FSRU and FLNG. These works primarily involve adjusting the lay-out and increasing the load capacity of certain of the Group's production facilities and equipment, which the Group has already commenced. TQS has commenced a series of preliminary works of modification and upgrading on the Quanzhou Shipyard, including but not limited to (i) inspect and upgrade the existing equipments (including equipments of workshops and plants); (ii) perform total stock count, update the inventory list and top up material; (iii) inspect, maintain and upgrade the existing infrastructure; and (iv) renovate the staff living facilities and office buildings, including access roads, dormitories and canteens. The Group targets to substantially complete those works by the end of 2015 so as to be able to commence production at or around the fourth quarter of 2015.

Expand into the offshore and marine engineering business

The Directors believe that this is an opportune time for the Group to expand into the offshore and marine engineering business as this sector has undergone rapid growth in recent years as a result of favourable market conditions and the Directors believe that there remains significant potential for further growth in this sector in the near term. The opportunity to cooperate with the Keppel Group and the management and technical support that the Group will be able to, the Directors believe, provide the Group with a strong foundation and strong competitive advantages to enter into the offshore and marine engineering business.

To help strengthen the Group's position in connection with its expansion into the offshore and marine engineering sector, the Group has entered in a long-term cooperation arrangement with FELS, an Independent Third Party, pursuant to the Management Services Agreement signed on 9 April 2014.

Management Services Agreement

A summary of the principal terms of the Management Services Agreement is set out below:

Conditions

The term of the Management Services Agreement will commence on the day on which the following conditions, among others, are satisfied (or waived by FELS):

(a) the Debt Restructuring having been completed and becoming unconditional and effective in accordance with its terms;

(b) the trading in the Shares on the Stock Exchange having resumed;

(c) FELS having issued a written notice to TQS that it has inspected the Quanzhou Shipyard and the employees of TQS deployed at the Quanzhou Shipyard (including any arrangments relating to the Quanzhou Shipyard and such employees) and that it is satisfied that the Quanzhou Shipyard is reasonably suitable for carrying on the business of a shipyard;

(d) the Company having granted FELS (or such other person as FELS may specify) the FELS CBs or the FELS Warrants, as elected by FELS at its absolute discretion, and having complied with all applicable requirements under the Listing Rules or those requirements imposed by the Stock Exchange, the SFC and/or the Bermuda Court in respect of the FELS CBs or the FELS Warrants;

(e) to the extent required by any relevant law and regulation, (i) all regulatory requirements, registrations or formalities required to ensure that the undertaking and obligations set out in the Deed of Undertaking are valid, binding and enforseeable against GZE in any relevant jurisdiction having been duly complied with; and (ii) all regulatory approvals or registrations required for the Management Services Agreement and the performance of the obligations thereunder by the parties to the Management Services Agreement have been obtained and/or made, as the case may be;

(f) TQS and FELS having agreed to the terms of the improvement plan for the Quanzhou Shipyard with respect to the first two years of the term of the Management Services Agreement; and

(g) the Company having complied with all applicable requirements under the Listing Rules and those requirements imposed by the Stock Exchange, the SFC and/or the Bermuda Court in relation to the Management Services Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, the condition (a) set out above has been satisfied.

If the conditions set out above are not satisfied or waived by FELS on or before 31 May 2015 (or such other date as FELS and TQS may mutually agree in writing), either FELS or TQS may terminate the Management Services Agreement by giving the other parties to the agreement not less than 30 days' written notice. As disclosed in the Company's announcement dated 28 May 2015, on 28 May 2015, the Company and FELS have entered into a supplemental agreement, pursuant to which the parties agreed to extend the long stop date of the Management Services Agreement to 31 July 2015.

Obligations of FELS

FELS will, during the term of the Management Services Agreement, make available employees of FELS and its related corporations to hold various management positions at TQS and to undertake the following duties:

(i) to supervise and manage the employees of TQS deployed at the Quanzhou Shipyard;

(ii) to represent TQS in negotiating the terms of contracts to be entered into with any customer, supplier and service provider, contracts relating to the maintenance and improvement of the Quanzhou Shipyard, insurance contracts for the Quanzhou Shipyard and employment contracts with the employees of TQS, provided that no such contract shall be entered into for and on behalf of TQS without the prior written approval of the board of directors of TQS; and

(iii) to submit to the board of directors of TQS for consideration and approval plans for the maintenance and improvement of the Quanzhou Shipyard with respect to each year after the second year of the term of the Management Services Agreement.

Obligations of TQS

TQS has agreed that, for the effective term of the Management Services Agreement, it will use the Quanzhou Shipyard to carry on the business of (1) construction, repair, conversion and upgrading of mobile offshore drilling units; (2) repair, conversion and upgrading of vessels into FPSO, FSO, FSRU and FLNG; and (3) construction, repair, conversion and upgrading of vessels in accordance with the terms of the Management Services Agreement.

Steering Committee

Pursuant to the Management Services Agreement, a steering committee, comprising of not more than four members appointed by FELS or otherwise agreed by the parties to the Management Services Agreement, will be established to consider customer contracts to be entered into by TQS and to make recommendations to the board of directors of TQS on the following matters:

(a) whether TQS should enter into any such customer contract;

(b) the marketing approach to be adopted in relation to such customer contract;

(c) the terms of such customer contract;

(d) the terms of the license agreement (if any) to be entered into between TQS and FELS or any of its related corporations for the use of any design and specification of rigs, drillships and specialised vessels owned by, and/or any name, mark, service mark or logo of, FELS or any of its related corporations for such customer contract; and

(e) the scope of work under such customer contract to be sub-contracted to FELS or any of its related corporations and the terms of such sub-contract.

TQS has agreed that it will not enter into any customer contract unless the contract is recommended by the steering committee and the other recommendations of the steering committee with respect to such contract will be adhered to.

Sub-contracting

TQS has also agreed that with respect to any customer contract to be entered into by TQS, any work falling within the designated work scope described below will be sub-contracted to FELS or any of its related corporations. The designated work scope includes:

(i) (where the customer contract relates to a rig, drillship, or specialised vessel) the design, engineering, procurement scope, project management, testing and commissioning involved in or relating to, and the construction of the legs and chords of, such rig, drillship or specialised vessel (as the case may be); or

(ii) (where the customer contract relates to the conversion of a FPSO, FSO, FSRU or FLNG) the engineering, procurement, project management, testing and commissioning involved in or relating to, and the construction of the modules of such vessel.

As those designated works require high quality of standard and different technical skill sets as TQS possesses, which it is also the industry practice to outsource certain works to third parties, TQS has to subcontract those designated works to third parties. In order to ensure the quality of the products and deliver them on time, and in turn, build up and maintain the reputation of TQS in the market, the Directors consider it is beneficial to the Group to subcontract those designated works to FELS as stipulated in the Management Services Agreement. Besides, by subcontracting the designated work scope, TQS can focus on the rest of the work scope in order to maximize its productivity therefore optimizing revenue and save the research and develop cost.

Management fee and reimbursements

TQS will pay FELS the following fees each year during the term of the Management Services Agreement:

(i) a fixed annual fee of US$2,000,000 (or pro rata if less than twelve calendar months); and

(ii) a variable fee, being 3% (or such other percentage as FELS and TQS may mutually agree in writing from time to time) of the revenue of TQS for such year as shown in its audited financial statements in respect of such year less the aggregate amount of any fees paid by TQS during such year to FELS or any of its related corporations for carrying out sub-contracted work under any customer contract and for the use of any design and specialisation, any name, mark, service mark or logo of FELS or any of its related corporations.

The variable fee with respect to any year will only be payable by TQS to FELS if the earnings before interest, taxes, depreciation and amortisation of TQS as shown in its audited financial statement in respect of that year reaches an agreed threshold as stated in the Management Services Agreement. The threshold amount with respect to any year shall be sum equal to US$20,000,000 (or pro rata if less than twelve calendar months).

In addition, TQS will reimburse FELS all manpower costs and related expenses arising from or in connection with the employees of FELS or any of its related corporations being made available to TQS under the Management Services Agreement which are incurred by FELS (and where applicable, the relevant related corporation of FELS).

Term and termination

The term of the Management Services Agreement is 30 years from the date when the various conditions to which it is subject to have been satisfied (or waived by FELS), or such other period as TQS and FELS may mutually agree in writing from time to time.

No party to the Management Services Agreement may terminate the Management Services Agreement unless upon the occurrence of any of the following events with respect to TQS or FELS, in which case, FELS or TQS (as the case may be) will have the right to terminate the Management Services Agreement immediately by giving written notice to the other parties:

(i) winding up, dissolution or appointment of liquidator or judicial manager of TQS or FELS (as the case may be), or the appointment of any receiver over the whole or any part of the assets of TQS or FELS (as the case may be) save for the purpose of or following an amalgamation or reconstruction;

(ii) material breach of the Management Services Agreement by TQS or FELS (as the case may be); or

(iii) illegality or legal prohibitions on any transaction under the Management Services Agreement with respect to TQS or FELS (as the case may be).

If FELS terminates the Management Services Agreement pursuant to (i) or (ii) above, TQS shall pay FELS a termination fee of US$20,000,000.

Issue of the FELS CBs or FELS Warrants

The Company has agreed, as one of the conditions to the Management Services Agreement becoming effective, to issue to FELS (or such other person as it may specify), at its election, either the FELS CBs which are convertible into Shares or the FELS Warrants which will entitle the holder to subscribe, in cash for Shares, that in both cases, will represent 9.9% of the total issued share capital of the Company after completion of the Restructuring, provided always that if the Company considers that it would no longer satisfy the minimum public shareholding (i.e. 25% public float) requirement under Rule 8.08 of the Listing Rules immediately following an exercise of the subscription right under any FELS Warrants, such exercise shall be postponed until such time as the Company is satisfied that such exercise will not result in any non-compliance of Rule 8.08 of the Listing Rules.

The FELS CBs will be five-year, zero coupon, unlisted convertible bonds which will be convertible into Shares at an initial conversion price of HK$0.10 per Share, subject to customary adjustments for subsequent dilutive issues and for consolidation and sub-division. The FELS CBs will be issued on the terms of convertible bonds as described in the announcement of the Company dated 25 November 2013.

The FELS Warrants will be issued by the Company at an indicative initial subscription price of HK$0.12 (subject to customary adjustments for subsequent dilutive issues and for consolidate and sub-division) and exercisable by the holder at any time during a period of four years from the date of issue. The Shares to be issued upon the exercise of the FELS Warrants will be subject to a restriction on transfer for a period of two years after the date on which they are issued.

FELS has since elected to be granted the FELS Warrants.

Working Capital Loan Agreement

As set out in the announcement of the Company dated 14 April 2014, in consideration of FELS entering into the Management Services Agreement, GZE entered into the Deed of Undertaking in favour of FELS pursuant to which GZE shall, after the signing of the Deed of Undertaking, procure the Company to provide to TQS working capital and, if the Company fails to do so, GZE shall provide (whether directly or indirectly) to TQS working capital. In light of the above, GZE entered into the Working Capital Loan Agreement with TQS pursuant to which GZE has agreed to provide a loan of not less than RMB60 million to TQS for its working capital. The interest rate of the Working Capital Loan Agreement is calculated based on the PBOC lending rate and accrued from the drawdown date. The principal amount (including the accrued interest) should be repaid three years from the drawdown date. The repayment is subject to the satisfaction of the following conditions by 31 May 2015 (on such other date as the parties may agree in writing):

(a) the Company having complied with all applicable requirements under the Listing Rules and those requirements imposed under applicable laws and regulations or by the Stock Exchange, the SFC, the Bermuda Court and/or any other governmental or regulatory authority of competent jurisdiction in relation to the Working Capital Loan Agreement and the transactions contemplated thereunder;

(b) the Debt Restructuring having become effective;

(c) a resumption of trading in the Shares having been unconditionally or conditionally approved by the Stock Exchange;

(d) each condition precedent (or such other condition) required to be satisfied pursuant to the terms of each other document in relation to the Creditors' Scheme and the Resumption Proposal (other than that all the conditions precedent of the Working Capital Loan Agreement having been fulfilled or waived) having been satisfied or waived for the purpose of making each document in relation to the Creditors' Scheme and the Resumption Proposal effective in accordance with its terms;

(e) the Company having obtained the approval of the Independent Shareholders in general meeting in respect of the Whitewash Waiver; and

(f) the grant of the Whitewash Waiver by the Executive.

As at the Latest Practicable Date, the conditions (b) and (c) set out above have been satisfied.

The Directors are of the opinion that the terms of the Working Capital Loan Agreement are fair and reasonable and the transactions contemplated under the Working Capital Loan Agreement are in the interest of the Company and the Shareholders as a whole.

If the conditions set out above are not satisfied on or before 31 May 2015 (or such other date as the parties may agree), (i) the loans under the Working Capital Loan Agreement are immediately due and payable; and (ii) either party thereto may terminate the Working Capital Loan Agreement by giving the other party thereto not less than 30 days' written notice and, upon termination of the Working Capital Loan Agreement, all obligations of the parties shall immediately cease and neither party shall have any claim against the other party in respect of any matter arising out of or in connection with the Working Capital Loan Agreement. As disclosed in the Company's announcement dated 28 May 2015, on 28 May 2015, TQS and GZE have entered into a supplemental agreement, pursuant to which the parties agreed to extend the long stop date of the Working Capital Loan Agreement to 31 July 2015.

K. THE BUSINESS OPERATIONS OF THE RESTRUCTURED GROUP

Overview

In the past, the Quanzhou Shipyard's shipbuilding orders were mainly the building of tankers of not more than 10,000 DWT. Competition in this market was intense as small scale shipyards were able to build the same kind of vessels, and thus the profit margin was thin. In addition, due to the adverse market condition of the shipbuilding industry since 2008 and TQS has been in prolonged litigation, the shipbuilding business recorded losses and the operation of the Quanzhon Shipyard was suspended. The Quanzhon Shipyard's repair business was not yet fully developed so that the ship repair business was not able to generate profit to offset the loss in shipbuilding business.

After completion of the Restructuring, the Group will use the Quanzhou Shipyard as base for re-building its business. It will re-activate the shipbuilding and ship repair business it carried on before Suspension and at the same time, expand into the business of offshore and marine engineering services, which primarily involves the construction, repair, conversion and upgrading of oil rigs used in connection with offshore oil and gas drilling operations as well as FPSO, FSO, FSRU and FLNG, which are support vessels used in those operations.

In recent years, the offshore and marine engineering sector has undergone rapid growth and is expected to have significant potential for further growth in the near future and the Directors believe that there remains significant potential for further growth in this sector in the near term. As such, the Directors consider that it is an opportune time to optimize the value of Quanzhou Shipyard facilities by focusing the strategy on the construction of high value premium quality vessels (such as drill ship, oil rigs etc) and ship repair and conversion business to tap into the offshore and marine engineering sector which are less sensitive to the macro-economic environment and with high barrier of entry.

The Group also considers that such expansion will be a natural extension of its shipbuilding and ship repair business as it will, to a significant extent, be able to utilise its existing production facilities at the Quanzhou Shipyard also to undertake the construction, repair, conversion and upgrading of oil rigs, FPSO, FSO, FSRU and FLNG, subject to certain modification and upgrading works, which the Group is already undertaking.

To help the Group to build up its capability and the track record and to strengthen the Group's position in connection with its expansion into the offshore and marine engineering sector, the Group has entered in a long-term cooperation arrangement with FELS, an Independent Third Party, pursuant to the Management Services Agreement signed on 9 April 2014. FELS is a subsidiary of Keppel, which is a global leader in the design, construction and repair of offshore rigs. The Directors consider that the Management Services Agreement is an invaluable opportunity for the Group to develop a long-term cooperation relationship with the Keppel Group, which the Directors believe will be mutually beneficial to both the Group and the Keppel Group as it helps provide

the Group with a strong foundation to re-build its business after completion of the Restructuring and also allows the Keppel Group to establish a strong foothold for expanding its business in the PRC market.

The Group's management has business connections with independent third parties for negotiating contracts of ship repair, rig building and ship conversion. TQS has also retained a core group of employees who are experienced in ship and rig-building, details of the biographies of the employees are set out in the paragraph headed "Employees" below. In the long run, TQS will constantly improve every aspect of the Quanzhou Shipyard (including work force, equipments, management, etc), implement localisation policy through training of local employees and expand the scale of the Company's business leveraging on its track record and reputation built up in order to reduce the reliance on Keppel.

Business model

After completion of the Restructuring, the Group will engage in the business of construction and repair of ships such as tankers and the construction, repair, conversion and upgrading of oil rigs and FPSO, FSO, FSRU and FLNG.

Shipbuilding. The shipbuilding facilities of the Quanzhou Shipyard feature two slipways for building small and medium-sized oil and chemical tankers, together with outfitting berths, workshops and heavy-lifting cranes. With such facilities, the Group is capable of manufacturing a wide range of vessels including bulk carriers, oil tankers and container ships.

Ship repair. The Quanzhou Shipyard repair facilities consist of four dry docks, repair berths and cranes, and repair workshops. With such facilities, the Group is capable of conducting repair work for a wide variety of vessels, including very large crude carriers (VLCC), and large bulk carriers.

Offshore and marine engineering. The Group's offshore and marine engineering operations will be a natural extension of its existing shipbuilding and ship repair operations, which will largely share space, facilities, workforce and other resources with the Group's shipbuilding and ship repair business. After completion of the modification and upgrading works, the Quanzhou Shipyard will be capable of constructing and repairing offshore rigs and FPSO, FSO, FSRU and FLNG.

Under the business model on cooperation with Keppel, the operation of the Quanzhou Shipyard will be managed jointly by the management team of TQS and the Seconded Employees. The board of directors of TQS will be the highest decision-making authority. The senior management of TQS as well as the Company will make use of their business network to explore business opportunities including but not limited to orders for the marine engineering services business.

The operation flow of the Group's for the shipbuilding, ship repair business and offshore and marine engineering business may be divided into the three main stages of obtaining orders, construction preparation and manufacturing.

Obtaining order. The construction process will start with the obtaining of a shipbuilding order. Both Seconded Employees and the management of the TQS are responsible for finding customers. Pursuant to the Management Services Agreement, a steering committee, comprising of not more than four members appointed by FELS or otherwise agreed by the parties to the Management Services Agreement, will be established to consider customer contracts to be entered into by TQS and to make recommendations to the board of directors of TQS. No customer contract shall be entered into without the prior written approval of the board of directors of TQS or the steering committee. The customer orders normally contain the technical specifications of the vessel and the commercial terms such as those relating to payment and delivery.

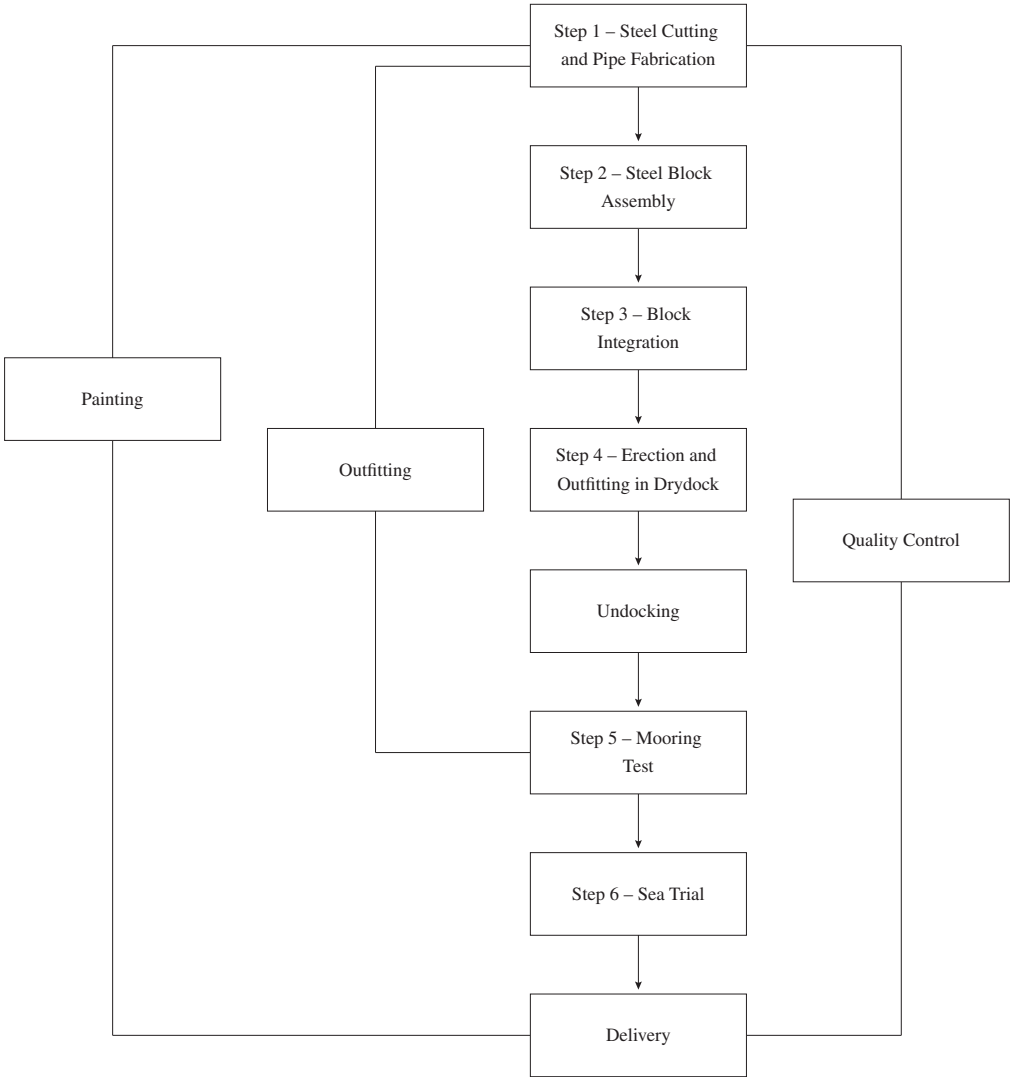
Construction preparation. After a shipbuilding order has been secured, the Group will prepare for construction, which includes design, procurement and production planning.

Design. The design process typically involves body design, preparation of drawings and specifications, which must be approved by the customers and comply with the relevant published rules of a particular classification society or international convention and the production guidelines. The Seconded Employees are mainly responsible for the design process. Under the Management Services Agreement, relevant member of Keppel Group may enter into the license agreement with TQS for the use of the relevant proprietary rights of the Keppel Group relating to the designs and specifications of rigs, drill ships and specialised vessels and the name, mark(s), service mark(s), and/or logo(s) of the Keppel Group. The TQS Employees are responsible to customize the design provided by the Seconded Employees to satisfy customers' requests.

Procurement. The Group's procurement efforts will include contacting suppliers, entering into technical specification agreements, making price inquiries, negotiating contracts and following up on shipment and delivery. Both the Seconded Employees and TQS Employees are responsible for the procurement.

Production planning. Both the Seconded Employees and TQS Employees are responsible for preparing detailed manufacturing plan, making drydock arrangements, procure equipment, and arrange for the management and staffing of the project.

Manufacturing. TQS Employees are responsible for the manufacturing process for the shipbuilding, ship repair business and offshore and marine engineering business. The ship manufacturing process generally involves the coordination and interaction of four different processes: ship hull construction, outfitting, painting and testing. The following diagram illustrates the typical main steps of the manufacturing process:



The manufacturing process of offshore and marine engineering projects will begin with the pre-treatment of steel plates and other steel parts, where the steel plates and other steel parts are cleaned, sand-dusted to remove rust and coated with protective paint. The steel plates will then be cut into components and parts. The components and parts will then be sub-assembled and welded into blocks. Outfitting components and parts will then be installed into each block. After the painting of each block is completed and the blocks are assembled and welded into bigger blocks, the manufacturing process will be shifted to the drydocks, where the Group will assemble all the blocks into the hull and install of the

machinery and outfitted the vessel. The Group will then paint the whole vessel. Prior to the delivery of the product to the Group's customer, the Group will conduct sea trials to ascertain the product's performance to ensure its conformity to the required specifications.

Under the Management Services Agreement, the Group has agreed that with respect to all the contracts to be entered into by the Group, any work that falls under the work scopes, such as the construction of the legs and chords of any rig, drillship, specialised vessel, and the conversion of a FPSO, FSO, FSRU and FLNG, will be sub-contracted to one or more members of the Keppel Group.

In addition to the above, the Group may also outsource the production of certain other parts or components to other sub-contractors.

Raw materials and suppliers

The principal raw material used by the Group for both its shipbuilding and offshore and marine engineering operations is steel, in the form of plates, pipes and beams. The steel required by the Group for its offshore and marine engineering operations will comprise a higher proportion of high tension and large thick steel plates. After the Management Services Agreement has become effective, the Group will, in addition to undertaking its own procurement, also have the alternative of sourcing steel and other materials through FELS and other members of the Keppel Group, the principal advantage of which, the Directors believe, would be the possibility to negotiate more favorable terms from suppliers based on the combined volume of purchases to be made by the Keppel Group and the Group.

Sales, marketing and customers

With respect to its shipbuilding and ship repair business, the Group will seek both to re-establish connections with past customers as well as to actively pursue new business opportunities, including potential referrals from the business contacts of GZE and FEG.

With respect to its offshore and marine engineering business, the Directors expect that the first purchase orders will be those to be placed by FEG and GZE pursuant to the FEG Purchase Order Framework Agreement and the GZE Purchase Order MOU, respectively (subject to the fulfilment of the conditions specified in those agreements). The Directors intend that once the Group has established a sufficient track record, it will actively seek to expand its customer base both in the PRC and the international market.

TQS has established business connections with some large shipping companies and commenced preliminary ship repair business negotiations. Once the Liquidation Proceedings in Bermuda is dismissed, the trading of the Shares is resumed and the production at Quanzhou Shipyard is resumed, the Company will negotiate with these companies on letters of intent and agreements.

Quality control

After the Management Services Agreement has become effective, the Group will revise its quality control standards and measures for its shipbuilding operations and will adopt standards and measures for its offshore and marine engineering operations which are compatible with those developed and implemented by the Keppel Group.

The Group's quality control department will be primarily responsible for overseeing quality management. Our quality control department will also be responsible for formulating and implementing the rules and procedures for quality inspection and testing and the continuous compliance with the quality assurance process in accordance with the requirements of the ISO9001 standard and technical specifications of vessels.

Competition

The shipbuilding and offshore and marine engineering industries are highly competitive. The Directors expect that the Group's main competitors will be domestic shipyards in the PRC which will be able to take advantage of the relatively low production costs in China. Although there are many shipyards in China that are capable of carrying out labour-intensive work, the Directors believe that the strategic location of the Quanzhou Shipyard and the Group's business relationship with the Keppel Group, GZE and FEG will provide the Group with key competitive advantages over its competitors.

Any global economic downturn may also negatively impact the shipbuilding and offshore and marine engineering industries. The drop in seaborne trade will lead to excess capacity and depress the demand for new ships. Fluctuations in oil and gas prices will affect the offshore and marine engineering business.

Directors

Executive Directors

Mr. Zhao Xu Guang *(Chairman and Chief Executive)*, aged 51, has been chairman of the Board and an executive Director since 3 July 2012 and was appointed as the Chief Executive of the Company with effect from 23 October 2014. He is responsible for the strategic development of business and operations of the Group's business as well as the organisation structure and the team development. He is currently a co-chairman of 中國富強基金會有限公司 (China Fortune Foundation Limited). From 1987 to 1991, he worked for 中華人民共和國商務部 (the Ministry of Commerce of the People's Republic of China, formerly known as the Ministry of Foreign Economic Relations and Trade in 1982 which was further renamed the Ministry of Commerce of the People's Republic of China in 2003). In the past, he has acted as general manager, chairman and director of various enterprises specializing in trading, investment, property and in the energy field. Mr. Zhao has more than 20 years of working experience in corporate management, securities investment, corporate merger and restructuring and commercial disputes. He graduated from Guangdong University of Foreign Studies with a Bachelor of Economics degree.

Save as disclosed above, Mr. Zhao has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Zhao is interested in 1,800,000,000 Shares and 1,800,000,000 Warrants to be issued under the Wahen Investments Subscription Agreement. Save as disclosed above, Mr. Zhao does not have any relationships with any directors, senior management, substantial or controlling shareholders of the Company, nor any interests in the Shares within the meaning of Part XV of the SFO.

Mr. Tang Chao Zhang, aged 40, has been appointed as an executive Director since 26 March 2013. He was the Chief Executive of the Company from 26 March 2013 to 23 October 2014. He was a vice-president of Guangdong Zhenrong Energy Co., Ltd and is currently a director of Fame Dragon International Investment Limited. From 2008 to 2011, Mr. Tang took up the role of vice-president of 廣東振戎石油化工有限公司 (Guangdong Zhenrong Petrochemical Co., Ltd). He is also a director of 雲南振戎潤德珠寶有限公司 (Yunnan Zhenrong Runde Jewellery Ltd). Mr. Tang graduated from Guangdong University of Foreign Studies with a Bachelor of Arts degree in International Marketing.

Save as disclosed above, Mr. Tang Chao Zhang has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Save as disclosed above, Mr. Tang Chao Zhang does not have any relationships with any directors, senior management, substantial or controlling shareholders of the Company, nor any interests in the Shares within the meaning of Part XV of the SFO.

Mr. Wong Siu Hung Patrick, aged 59, has been an executive Director of the Company since 7 May 2008. Mr. Wong has more than 30 years of working experience in banking, finance, commodity trading and project development. Prior to joining the Company, Mr. Wong was senior vice president of Commodity and Trade Finance at Societe Generale in Singapore and worked at commodity trading firms such as Louis Dreyfus where he was chief executive officer of China. Mr. Wong is an Associate Member of the Chartered Institute of Bankers, United Kingdom and holds a master degree in Applied Finance from Macquarie University, Australia.

Save as disclosed above, Mr. Wong Siu Hung Patrick has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Wong Siu Hung Patrick is interested in 10,000,000 share options of the Company. Save as disclosed above, Mr. Wong Siu Hung Patrick does not have any relationships with any directors, senior management, substantial or controlling shareholders of the Company, nor any interests in the Shares within the meaning of Part XV of the SFO.

Mr. Fu Yong Yuan, aged 59, was appointed as an executive Director on 3 July 2012 and the chairman of Titan Quanzhou Shipyard Co., LTD. in August 2012. He was a general manager of Rojam Entertainment Holdings Limited. Mr. Fu has over 40 years of experience in shipping and fright management. He served in COSCO System for two decades from 1972 to 1992. Mr. Fu worked for 廣州遠洋運輸公司 (COSCO Guangzhou) and was responsible for managing of freight, container transportation and vessel chartering operations. He was a general manager of 中遠系統福星航運企業有限公司廣州分公司 (COSCO FuXing Shipping Enterprises Limited Guangzhou Branch) and a general manager and executive director of 廣東華銓船務有限公司 (Guangdong HuaQuan Shipping Limited). Mr. Fu, a marine engineer and an economist for the shipping management, graduated from Guangdong Province Economics Management Institute majoring in Industrial Economic Management.

Save as disclosed above, Mr. Fu Yong Yuan has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Save as disclosed above, Mr. Fu Yong Yuan does not have any relationships with any directors, senior management, substantial or controlling shareholders of the Company, nor any interests in the Shares within the meaning of Part XV of the SFO.

Non-executive Directors

Mr. Fan Qinghua, aged 53, was appointed as a non-executive Director of the Company on 26 March 2013. He is currently a director and deputy general manager of Guangdong Zhenrong Energy Co., Ltd, and a director of Fame Dragon International Investment Limited. From 1992 to 1995, he joined 珠海東大集團公司 (Zhuhui Dongda Group) in the capacity of manager of the finance department and assistant general manager. From 1995 to 1998, he was a senior deputy general manager of 珠海九豐阿科能源有限公司 (Zhuhai Jovoarco Energy Ltd). Mr. Fan is also the chairman of the trade union of Guangdong Zhenrong Energy Co., Ltd, and a director of 上海市振戎石油有限公司 (Shanghai Zhenrong Petroleum Co., Ltd), 廣東晟戎能源有限公司 (Guangdong Shengrong Energy Co., Ltd) and 新華(大慶)商品交易所有限公司 (Xinhua Commodity Exchange Co., Ltd). Mr. Fan studied Economic Management and graduated from Henan Normal University.

Save as disclosed above, Mr. Fan Qinghua has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Save as disclosed above, Mr. Fan Qinghua does not have any relationships with any directors, senior management, substantial or controlling shareholders of the Company, nor any interests in the Shares within the meaning of Part XV of the SFO.

Mr. Hu Zhong Shan, aged 60, was appointed as a non-executive Director on 29 August 2012 and was appointed as a member of the remuneration committee on 5 February 2013. He is currently the chairman of 亞洲興業發展有限公司 (Asian Inc. Development Limited). He was also a general manager of 海南柯達彩擴中心 (Hainan Keda Cai Kuo Centre), a vice president of 誠成企業集團(中國)有限公司 (Cheng Cheng Enterprises Group Co., Ltd. (China)), a director of 誠成文化股份有限公司 (Cheng Cheng Culture Inc) and a chairman of 健發控股有限公司 (Jian Fa Holdings Limited). He specializes in PRC legal affairs and commercial dispute resolutions. Mr. Hu studied law at the Wuhan Executive School of Management.

Save as disclosed above, Mr. Hu Zhong Shan has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Save as disclosed above, Mr. Hu Zhong Shan does not have any relationships with any directors, senior management, substantial or controlling shareholders of the Company, nor any interests in the Shares within the meaning of Part XV of the SFO.

Independent non-executive Directors

Mr. Foo Meng Kee, aged 65, was appointed as an independent Non-executive Director on 27 December 2013 and is also the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee. Mr. Foo served in Hitachi Zosen Singapore Ltd. from 1976 to 1998 and he successfully led the listing of the company on the main board of the Singapore Exchange in 1992. Currently, he is the principal owner and the managing director of MK Capital Pte Ltd and MK Marine Pte Ltd. He also holds directorships in the following companies listed on Singapore Exchange: Sinarmas Land Limited and Lee Metal Group Ltd, being the independent director and chairman of audit committee; and Jiutian Chemical Group Limited, being the non-executive and independent director. Mr. Foo is currently an Independent Non-Executive Director of Courage Marine Group Limited, a company listed on the Hong Kong Stock Exchange and Singapore Exchange. During the period from January 2006 to August 2013, he was the independent director and chairman of nominating committee of See Hup Seng Limited. Mr. Foo obtained a Bachelor of Commerce (Honours) from Nanyang University of Singapore in 1973, and a Master of Business Administration from University of Dubuque, USA, in 1990.

Save as disclosed above, Mr. Foo Meng Kee has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Save as disclosed above, Mr. Foo Meng Kee does not have any relationships with any directors, senior management, substantial or controlling shareholders of the Company, nor any interests in the Shares within the meaning of Part XV of the SFO.

Mr. Lau Fai Lawrence, aged 43, was appointed as an independent non-executive Director on 13 March 2014 and is also the chairman of the audit committee and a member of thte remuneration committee. Mr. Lau is currently a practising certified public accountant in Hong Kong, a member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants in the UK. Mr. Lau graduated from the University of Hong Kong with a bachelor's degree in business administration in 1994 and obtained a master's degree in corporate finance from Hong Kong Polytechnic University in 2007. Mr. Lau is the company secretary of BBMG Corporation, a company listed on the main board of the Stock Exchange. Mr. Lau is an executive director of China Packaging Group Company Limited and an independent non-executive director of Artini China Co. Ltd., both companies are listed on the main board of the Stock Exchange.

Save as disclosed above, Mr. Lau Fai Lawrence has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Save as disclosed above, Mr. Lau Fai Lawrence does not have any relationships with any directors, senior management, substantial or controlling shareholders of the Company, nor any interests in the Shares within the meaning of Part XV of the SFO.

Mr. Lau Yiu Kit, aged 55, was appointed as an independent non-executive Director on 23 March 2015 and is also a member of the audit committee and a member of the nomination committees, is currently a practising certified public accountant in Hong Kong, a member of the Institute of Chartered Accountants in England and Wales and a member of the Association of Chartered Certified Accountants in Hong Kong and a member of the Taxation Institute of Hong Kong. Mr. Lau is an independent non-executive director of Artini China Co. Ltd. (Stock Code: 789), which is listed on the main board of the Stock Exchange.

Save as disclosed above, Mr. Lau Yiu Kit has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Save as disclosed above, Mr. Lau Yiu Kit does not have any relationships with any directors, senior management, substantial or controlling shareholders of the Company, nor any interests in the Shares within the meaning of Part XV of the SFO.

Employees

As at 31 December 2014, the Group currently has approximately 185 employees, comprised of management, engineers technicians and skilled workers. Most of our employees have prior work experience at shipyards.

Key personnel of TQS are as follow:

Hu Jun, graduated from Zhenjiang Shipbuilding Institute (now called Jiangsu University of Science and Technology) in Jiang Su Province, China, in 1985 with a bachelor degree in Marine Engineering, is the proposed senior vice president of TQS and will be responsible for the planning, oversees and supervision of the marine projects. He joined TQS in early 2014 as an advisor and is responsible for the budgeting and planning of marine projects. Mr. Hu is also a technical director of Longzhu Oilfield Services(S) Pte Ltd., Singapore and he is in charge of engineering in offshore engineering and construction, overall project management (including budget planning) in jack-up drilling rig and client engineering in DSS38E Semi-Rig.

Mr. Hu has over 25-year experience in shipbuilding and marine engineering industry. Prior to joining the Quanzhou Shipyard, he worked for several shipyards in China and Singapore. From 1985 to 1993, he was the project engineer in engineering division of Hudong Shipyard in Shanghai, China, during which he independently finished designing, procurement and delivery of various types of vessels (including 62,000 DWT Crude Oil Tanker, 52,000 DWT FPSO and 34,000 DWT Crude Oil Tanker). From 1993 to 1996, he was the section manager in design department of Shanghai Edward Shipbuilding Co., Ltd in Shanghai, China, during which he was responsible for designing, supervising and planning (including budget planning)the construction of various types of vessels (including 2,000 DWT Product Oil Tanker, 3,700 M^3 LPG Carrier (Liquid Petrol Gas Carrier), 4,200 M^3 LPG Carrier and 1,100 TEU Container Vessel). From 1997 to 2005, he was the project manager and engineering manager of Jurong Shipyard Limited in Singapore. Mr. Hu was the project manager/engineering project manager for one 11,500 DWT chemical tanker, one cable laying vessel, two FPSO conversions and one Class 375 Jack-up Oil Rig. From 2006 to 2007, he was the project manager and engineering director of China Merchant Industry Group in China. He was the project manager for one liftboat rig and one 350ft jack-up rig. From 2008 to 2013, he was the technical director of Shanghai WaiGaoQiao Shipyard in China, during which he was in charge of engineering in a semi-submersible project, project management in a jack-up drilling rig and a 6th generation drillship, and exploring in the new offshore projects (such as jack-up drilling rig, drillships, etc).

Xu Xinjian, graduated from Dalian Maritime University with bachelor degree majoring in Engine Management, owned an A Class Chief Engineer and China Classification Sociey authorised cycle engine inspection Chief Engineer certificates. Mr. Xu is the proposed manager of the commissioning subdivision of TQS which is responsible for the inspection and sea trial of the manufactured product and under the supervision of the operations department which is headed by Sam, Weng Kuan, a Seconded Employee. Mr. Xu joined TQS in 2007 and was in-charge for the commissioning department prior to the suspension of operations of Quanzhou Shipyard and has 34 years of experience in running projects and testing and commissioning works. In 1982, Mr. Xu joined the China Ocean Shipping (Group) Company (COSCO), Guangzhou Branch as engineer and promoted to chief engineer in 1993. He was responsible for the testing and commissioning, safe operation and maintenance of mechanical and electrical equipments on the vessels he managed. In 2006, he left COSCO Guangzhou and joined the Yongxin Shipping Co., Ltd in Quanzhou, China. He served as engineering manager and was responsible for the overall engineering management. During his tenure with TQS, Mr. Xu has solved several difficult technical problems on engines when testing and commissioning. By virtue of his expertise, relevant experience and strong technical problem-solving skills, we believe that Mr. Xu will be competent to identify and tackle technical issues when conducting sea trials.

Chen Liangren, graduated from Wuhan Marine College with a diploma in Ship Engineering. Mr. Chen also holds a Master Degree in Business Administration from South Australia University. Mr. Chen is the proposed assistant vice president of operations department of TQS which is responsible for the oversees and supervision of the whole manufacturing process including production planning and control, painting, facility, staging and crane, hull and welding, mechanical, outfit, piping, electrical, commissioning and quality controls. Mr. Chen joined TQS in 2006, and was responsible for the management of the overall manufacturing process (including cost control, production planning, safety and quality control, personnel and equipment management, etc.) prior to the suspension of operations of the Quanzhou Shipyard. Prior to joining TQS, Mr. Chen had worked for Japan Hitachi Zosen Group (subsequently acquired by Keppel) for 11 years from 1993 to 2004. He served as manager of technical department and participated in shipbuilding, ship repair, FPSO and offshore drilling platform projects. From 1986 to 1993, Mr. Chen served as technician of hull shop at Fujian Mawei Shipbuilding Ltd. (formerly known as Fujian Mawei Shipyard). He was responsible for the manufacturing process of hull shop and tackling the on-site technical problems. Fujian Mawei Shipbuilding Ltd. manufactures different kinds of ships, including multi-purpose semi-submersible unit, container ships, oil tanker, barge, etc.

Huang Zisheng, is the proposed senior vice president of TQS. He graduated from Jimei Navigation College with diploma in Engine Engineering. He has an A1 Chief Engineer certificate, Continuous Inspection Certificate of Russian Maritime Register of Shipping Classification Societies and higher registered equipment management engineer certificate. He joined TQS in 2007, and is responsible for the overall operation of the Quanzhou Shipyard. Mr. Huang has more than 15 years of hands-on experience in tanker operation and maintenance and is well aware of IMO (International Maritime Organization) regulations. From 1991 to 2007, he worked as Engineer Officer, First Engineer Officer and Chief Engineer Officer successively on several seagoing tankers. He was responsible for the routine operation and maintenance of propulsion and other ship systems such as: electrical power generation plan, lighting, fuel oil, lubrication, water distillation and separation, water systems on board the vessel, etc. In addition, he has obtained Certificate in Safety Management, Fire Fighting Training Certificate, First Aid Certificate and Certificate of Proficiency in Survival Craft and Rescue Boats.

Zhang Haiquan, is the proposed vice president of the engineering department of TQS which is responsible for the design and product engineering. He graduated from Dalian University of Technology with bachelor degree in Ship Engineering. He joined TQS in 2008 as general manager and is responsible for the production process and management system. He had over 22 years experience in shipbuilding, ship repair, marine engineering, design, management and operations. He participated in the management of various types of ship building, FPSO, semi-submersible and jack-up rig projects. He has knowledge in the domestic and international shipbuilding developments and had been sent overseas to Japan and Korean (DSME) shipyards to learn the advanced techniques of production management and enterprise resource planning. From 1991 to 2008, he worked for the Dailian Shipbuilding Industry Co., Ltd. He was responsible for the supervision of the entire ship building process. The major projects which he had been involved were BINGO9000 semi-submersible drilling rig, Bohai No.12 drilling rig platform, FPSO, several crude oil tankers and VLCCs. Mr. Zhang was also responsible for the preparation (including the design and product engineering), implementation and management of the working plan of every workshop, including steel cutting, structure erection, outfitting, painting, etc.

Zhuang Rong, is the proposed manager of the engineering department of TQS. He graduated from Dalian Maritime University with bachelor degree in Ship Engineering. He joined TQS in 2008, and was in-charge for the design audit, detailed design and production design prior to the suspension of operations of Quanzhou Shipyard. From 1999 to 2005, Mr. Zhuang served as technician of Design Department at the Fujian Southeast Shipyard, China. He participated in the engine, piping and outfitting design and gave instructions to the corresponding site installation and erection works. From 2005 to 2008, he served as manager of Engineering and Technology Department at the Fujian Huadong Shipyard, China, and was responsible for the detailed design and production design of various types of vessels.

Poon Pok Man, is the proposed financial controller of TQS. Mr. Poon joined the Group in 2012 as an accountant and was responsible for overseeing the finance department of Quanzhou Shipyard prior to the suspension of operation of the Quanzhou Shipyard. He has over 7 years experience in the related field of auditing and financial reporting. He graduated from the City University of Hong Kong with a Bachelor's degree with honors in accountancy and is a member of Hong Kong Institute of Certified Public Accountants.

The proposed Seconded Employees are as follow:

Wong, Fook Seng, the proposed president of TQS, is an executive director (Operations) of FELS. He holds Master of Science (Financial Management) from the University of London, United Kingdom and Master of Business Administration (Nanyang Fellows/MIT) from Nanyang Technological University, Singapore. He started his career in the marine industry 44 years ago as an apprentice and has been with FELS for the last 34 years. Prior to this appointment, Mr. Wong was a general manager, heading various functions such as production, marketing, projects, planning & control, quality system and process excellence. Mr. Wong had served as a Council Member for the Singapore Welding Society and had been a member of the Institute of Industrial Managers, Institute of Marine Engineers, Society of Naval Architecture and Marine Engineers and is a Certified System Engineer with the Institute of Engineers Singapore.

Woo, Boon Hwee, the proposed manager of operations department of TQS, is a yard manager of FELS. He holds Diploma of Mechanical Engineering from Singapore Polytechnic. He joined the Keppel Group in 1968. Mr. Woo has over 45 years experience in facility and project management and operations. He has successively served as technician and foreman of its Plant & Maintenance Department, ship repair manager and executive superintendent of its Facility Department, deputy shipyard manager of its Operations Department, and senior project manager of its Project Management Department from 1968 to 2011.

Lim Eng Kwee, the proposed manager of the hull and welding subdivision of the operations department of TQS, is section head (hull) of FELS. He joined the FELS in 1970. Mr. Lim has been responsible for the hull section throughout his career. He has successively served as plater helper, plater, marker, chargehand, foreman, superintendent, assistant hull manager and hull manager of the Hull Department from 1970 to 2014.

Aw, Swee, the proposed manager of the facility subdivision of the operations department, is a senior facility manager of FELS. He holds technical certificates in Electric Fitting & Installation granted by Vocational and Industrial Training Board, Singapore. He joined the FELS in 1987 and has been responsible for the facility management. He has successively served as foreman, senior superintendent, assistant section manager, section manager and facility manager of the Facility Department from 1987 to 2006.

Sam, Weng Kuan, the proposed vice president of operations department of TQS, is a shipyard manager (planning & control) of FELS. He holds a bachelor degree in Mechanical Engineering from Nanyang Technological University, Singapore and a diploma in Shipbuilding & Offshore Engineering from Ngee Ann Polytechnic, Singapore. He joined FELS in 1990. Mr. Sam has over 20 years experience in operations, production engineering & planning and planning & control. He has successively served as technician trainee, foreman, superintendent of its Operations Department, engineer of its Commercial Department, deputy production engineering & planning manager, deputy planning & control manager and senior planning & control manager from 1990 to 2012.

Neo, Swee Wah, the proposed procurement and logistics manager of TQS, is a subcontracts manager of FELS. He holds an advanced diploma in Business Management from Management Development Institute of Singapore and a diploma in Electronic Engineering from Ngee Ann Polytechnic, Singapore. He joined FELS in 2001 and has been responsible for the purchasing and contracting. He has successively served as senior purchasing officer of its Purchasing Department, senior sub-contracting officer and principal sub-contract officer of its Contracting Department from 2001 to 2008.

Intellectual property rights

The Group does not currently own any patents, registered trademarks, or copyrights. After the Management Services Agreement has become effective the Group may use designs, technical knowhow, trademark or trade name of the Keppel Group in connection with the construction, repair, conversion and upgrading of oil rigs, FPSO. FSO, FSRU and FLNG and other specialised vessels and if it does, it will have to negotiate and enter into such licensing agreement with the relevant member of the Keppel Group as may be required in accordance with the terms of the Management Services Agreement.

Environmental matters

The Group is subject to various PRC laws and regulations, including but not limited to, laws and regulations related to air and water quality, limitations on discharge of pollutants into the environment and standards for the treatment, storage and disposal of toxic and hazardous wastes, such as the Law of the People's Republic of China on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), the Environmental Protection law of the People's Republic of China (中華人民共和國環境保護法), and the Law of the People's Republic of China on the Prevention of Environmental Pollution Caused by Solid Waste (中華人民共和國固體廢物污染環境防治法).

L. PRINCIPAL STRENGTHS

Strategic location

The Quanzhou Shipyard is favourably situated at the deep-water port of Douwei near Meizhou Bay in Fujian Province, PRC, halfway between Shanghai and Guangzhou with a shoreline of approximately 3600 metres. The Directors believe there are few comprehensive and large-scale shipbuilding and ship repair facilities that are comparable to the Quanzhou Shipyard located along the shoreline between Shanghai and Guangzhou. The Directors believe the Quanzhou Shipyard benefits from its strategic location in the following aspects:

- Favourable water depth: the deep-water port at Douwei, where the Quanzhou Shipyard is located, is capable of accommodating vessels of up to 300,000 DTW. The Quanzhou Shipyard has eight docks which can accommodate up to 22 large vessels. Its location at a deep-water port makes it convenient for docking of vessels and undertaking of pre-delivery testing and sea trials.

- Favourable weather conditions: Quanzhou is located in South China and on average, enjoys generally mild temperature and wind conditions. Its lowest temperature is on average above 5 degrees Celsius throughout the year. These factors allow the Quanzhou Shipyard to have more work days suitable for outdoor production, and to suffer less disruption to production schedules than compared to for example, shipyards in Central or Northern China.

- Convenient access to markets: the Quanzhou Shipyard is conveniently located along many busy shipping and trading routes, and hence, close to markets where there is demand for shipbuilding and repair services. It is also located near some of Asia's busiest ports. It is 502 nautical miles to Shanghai in the north, 386 nautical miles to Hong Kong in the south, 170 and 186 nautical miles to Taipei and Gaoxiong in the east, respectively, and 50 nautical miles from the Straits of Taiwan.

Comprehensive production facilities

The Quanzhou Shipyard was designed by China State Shipbuilding Corporation Ninth Design and Research Institute and a team of industry experts from Japan, Singapore and China. It consists of shipbuilding and ship repair facilities designed for and capable of building and repairing vessels of various types and models. The standard of those facilities also mean that the Group will, to a significant extent, be able to utilise them in connection with its expansion into the offshore and marine engineering business, subject to certain modification and upgrading works, which the Group is undertaking. These works primarily involve adjusting the lay-out and increasing the load capacity of certain of the Group's production facilities and equipment, which the Group currently expects to be able to substantially complete in the fourth quarter of 2015.

The Quanzhou Shipyard also has sufficient space at its site to cater for future expansion. In connection with the development of the offshore and marine engineering business, the Group has now reserved a site at the shipyard with a shoreline of approximately 80 metres for the construction of a heavy duty dock, and sites with an aggregate shoreline of approximately 680 metres for the construction of two additional docks for building offshore rigs and support vessels.

Support of the Keppel Group, GZE and FEG

The Directors believe that the Group will also benefit extensively from the support of the Keppel Group through the cooperation arrangement with FELS under the Management Services Agreement as well as the support of GZE and FEG.

Through the Management Services Agreement, the Group will be able to draw on the extensive management and technical expertise of the Keppel Group in the design, construction, repair, conversion and upgrading of offshore oil rigs as well as FPSO, FSO, FSRU and FLNG and other specialised vessels used in offshore drilling operations in connection with its expansion into the offshore and marine business.

Leveraging on Keppel's expertise, excellent track record in shipbuilding, ship repair and marine engineering business, its goodwill, exclusive technical knowhow and market resources, the Company is confident that TQS can penetrate in the market in a most efficient way and build up its track record and reputation in the market. Once the track record and reputation of the Quanzhou Shipyard in the market is built up and with the support by GZE and FEG (as set out below), it is expected that the Group can receive sufficient sales orders and thus, increase the utilisation of the Quanzhou Shipyard, lower the production cost and maintain the profitability of the Group. Accordingly, the Directors consider such proposed business model is viable and sustainable.

The Directors believe that the Group will benefit from the support of GZE and FEG both in terms of direct business opportunities generated by their expansion into the business of leasing of oil rigs and support vessels for offshore drilling operations as well as potential business opportunities among business contacts they have built up in the oil and gas industry.

As described above, FTSD (a subsidiary of FEG) has, pursuant to the FTSD Purchase Order Framework Agreement, agreed that it will, subject to various conditions, place or procure to be placed purchase orders with TQS for the construction of one semi-submersible and two jackups within one year from the effective date of that agreement, while GZE has, pursuant to the GZE Purchase Order MOU, agreed in principle that it will, subject to various conditions, place or procure to be placed purchase orders with TQS for the construction of two semi-submersibles, four jackups and two FSRU. The Directors believe that these commitments will provide the Group with a strong foundation to develop its offshore and marine business.

In order to rescue the Group, GZE has made available certain interim financing arrangements to the Group and has agreed to reschedule the repayment of certain loans owed by the Group to GZE. In addition, GZE had entered into an assignment with Grand China Logistics pursuant to which Grand China Logistics had assigned all of its interests, rights and obligations in respect of the Shipyard Sale and Purchase Agreement to GZE. Subsequently, GZE entered into the Shipyard Termination Agreement with the Company on 5 May 2014, pursuant to which the parties conditionally agreed to terminate the Shipyard Sale and Purchase Agreement and settle the amount of RMB740,000,000 paid by Grand China Logistics pursuant to the Shipyard Sale and Purchase Agreement (that the rights to which were subsequently assigned to GZE) by way of the issuance of 9,382,164,000 new Shares to GZE.

GZE also assists in resuming the operations of the Group. Through the introduction by GZE and FEG, the Company and TQS have entered into the Management Services Agreement with FELS on 9 April 2014 pursuant to which FELS has conditionally agreed to provide management services for the operations of the Quanzhou Shipyard. Such Management Services Agreement constitutes the major element to resume the operations of the Restructured Group. GZE has also entered into the GZE Purchase Order MOU with us and agrees to fund our capital expenditure of not less than RMB60,000,000 incurred prior to the completion of the Restructuring in connection with upgrading our production facilities to make them suitable for manufacturing offshore engineering products.

Experienced management and qualified work force

The Group's management plays a key role in forming and implementing business development strategies and supervising day-to-day business operations. Mr. Fu Yong Yuan, one of the executive Directors, is a marine engineer and an economist for shipping management. He has over 40 years of experience in shipping and freight management. The Group has retained a core group of qualified and experienced employees, most of whom had previously been engaged in the shipbuilding and ship repair business at the Quanzhou Shipyard. The Directors expect that the Group will be able to rely on these employees to provide the backbone for the rebuilding of its shipbuilding and ship repair business as well as the expansion into the offshore and marine business.

Government support

The PRC Government issued the "Twelve-Five" National Strategic Development Planning of Dynamic Sectors"("十二五"國家戰略性新興產業發展規劃) on 9 July 2012. In this document, the PRC Government has identified the marine engineering industry as one of the industries the development of which it will actively support in its twelfth five-year state plan which covers the period from 2011 to 2014. The government's objective is to encourage innovation in and to increase the competitiveness of China's marine engineering industry. The Directors believe that this will provide a favourable environment for the Group to enter into the marine engineering business.

There is a similarly strong level of support by the Fujian Provincial Government for the development of enterprises engaged in the marine engineering industry. The Fujian Provincial Government has implemented policies which provide for, among other things, the grant of government subsidies, preferential taxes and other incentives to enterprises in the marine engineering industry whose operations are based in Fujian Province. TQS has benefited from and the Directors expect, will continue to benefit from these policies.

M. RISK FACTORS

Risks relating to the Restructuring

Adverse publicity relating to the Restructuring and the financial condition of the Group may adversely affect its ability to build customer and supplier relationships and market perception of its business

Adverse publicity relating to the Restructuring and the financial condition of the Group may have a materially adverse effect on our business by making it difficult for us to convince the suppliers and customer to do business with us. Suppliers may demand quicker payment terms or not extend normal trade credit, all of which could further materially adversely affect our working capital position. In addition, suppliers may choose not to continue to supply the Group and the Group may find it difficult to obtain new or alternative suppliers. Ongoing negative publicity may also have a long-term negative effect on the brand names owned or used by the Group, which could make it more difficult for the Group to operate. The Group will encounter difficulty to build new suppliers and customers relationship and to diversify its supplier and customer basis.

Risks relating to the Group's business

The Group has a limited track record in its shipbuilding and ship repair business and does not have any track record in the offshore and marine engineering business

The Group's business prospects after completion of the Restructuring must be considered and assessed in light of the risks and difficulties the Group may encounter, due to the fact that it has a limited operating history in its shipbuilding and ship repair business and has no established our track record in the offshore and marine engineering business which the Group plans to expand into. The Group's business model has not been fully tested, including, but not limited to the following:

- delay in completing the modification and upgrading works at the Quanzhou Shipyard to enable the Group to start carrying on its offshore and marine engineering business due to factors beyond the control of the Group;
- inability to re-establish, build or expand the Group's customer base;
- early termination of, or interruption to, the Management Services Agreement;
- inability to achieve effective cooperation under the Management Services Agreement;
- inability to master the necessary know-how of the offshore and marine engineering business;
- lack of productivity, efficiency and stability of workforce; and
- the cyclical nature of the shipbuilding and ship repair industry and the offshore and marine engineering industry in general, whether on a worldwide or regional basis.

Demand for the Group's products or services is directly or indirectly affected by trends in oil and gas prices

The Quanzhou Shipyard will, immediately following completion of the Restructuring, be the Group's principal production asset. The number of purchase orders that the Group may be able to secure in connection with its offshore and marine engineering business will be dependent on oil and gas exploration and production activity and capital expenditures of oil and gas producers, which in turn are largely dependent on current prices of, and future trends in global oil and gas prices.

Typically, rising oil and gas prices will trigger increasing oil and gas exploration and production activities, which in turn will result in increasing demand for oil rigs and related support vessels, while on the opposite, declining oil and gas prices will result in decreasing demand for those products.

In addition, the recovery in market demand for drilling rigs may lag behind the rebound in oil and gas prices. For example, the lifetime of drilling rigs generally range from 20 to 25 years. If the drilling rigs owned by oil and gas producers are relatively new, the market demand for drilling rigs may remain sluggish for a long period after the rebound in oil and gas prices.

The Group's business is susceptible to the fluctuation of raw material prices and labour cost

The Group's raw materials primarily include steel, iron ore, parts and components, such as engineering equipment, drill equipment, and electrical equipment. Any fluctuation in the price of these raw materials or any interruption in the supply of any of these raw materials will adversely affect the Group's business, financial condition and results of operations.

The Group's business is also labour intensive, and labour cost constitutes a material portion of the Group's operating expenses. On 29 June 2007, the National People's Congress of the People's Republic of China enacted the Labour Contract Law, which became effective on 1 January 2008. The implementation of this new law results in the imposition of more restrictions and the increase in labour cost to employers. The Group is also required under PRC law to provide social insurance schemes such as pension insurance to certain of its employees. Any material increase in labour cost will have a material and adverse effect on the Group's business, financial position and results of operations.

The Group relies, to a material extent, on its relationship with Keppel and its subsidiary, FELS to establish and develop its offshore and marine engineering business, and hence, termination or any deterioration of such relationship may materially and adversely affect the Group's business operations and future prospects

Pursuant to the Management Services Agreement, FELS will provide us with management and technical support in connection with the development of the Group's offshore and marine engineering business. FELS will second to us certain of their employees as well as those of other members of the Keppel Group. The success of the development of the Group's offshore and marine engineering business will, to a material extent, be dependent on whether the employees being seconded to the Group have the appropriate qualifications and experience and whether those employees will be able to collaborate with the Group and its employees in the development of the Group's offshore and marine engineering business.

Also, the Management Services Agreement will only become effective if certain conditions are met. There is no assurance that those conditions will be satisfied in a timely manner or at all. In addition, even after the Management Services Agreement has become effective, there is no assurance that it will not be terminated early or the performance of its terms will not be interrupted from time to time. Any delayed performance by any party under the Management Services Agreement, or any early termination of that agreement or any interruption in the performance of its terms may materially and adversely affect the Group's business, financial condition and results of operations.

The Group's products will, in line with industry practice, be sold on a fixed-price basis, which may result in losses or lower profitability for the Group than anticipated in the event that the Group incurs unforeseen or additional expenses

The Group's products will, in line with industry practice, be sold on fixed-price basis. The Group will attempt to forecast costs of labour, raw materials and other production costs when it enters into fixed-price contracts and will be able to retain any cost savings on completed contracts but will remain liable for the full amount of any cost overruns. The actual costs incurred and profit realised by the Group may vary from its estimates due to factors such as:

- unanticipated variations in labour and equipment productivity over the term of a contract;
- unanticipated increases in labour, raw material, sub-contracting and overhead costs; and
- delivery delays and corrective measures.

Depending on the size of the contract, variations from costs estimates may significantly reduce the Group's earnings and even result in losses. Furthermore, a purchase order may provide for the Group to be liable for liquidated damages if the Group is unable to deliver a vessel according to the agreed delivery schedule specified in the relevant contract. In this case, any liquidated damages which the Group may be liable for may adversely affect the Group's business, financial condition and results of operations.

The Group may face risks relating to the quality and timing of the work performed by its outsourcing partners

It is common practice in the shipbuilding industry as well as the offshore and marine engineering industry for certain parts of the production process to be outsourced to sub-contractors. The Group expects that it will engage sub-contractors in connection with both its shipbuilding operations and its offshore and marine engineering operations. Under the Management Services Agreement, the Group is also obliged to sub-contract certain parts of the production process in connection with the construction, conversion and upgrading of oil rigs, FPSO, FSO, FSRU and FLNG to members of the Keppel Group.

Any material claim by any customer against the Group in respect of defects, quality or workmanship or non-conformity to specifications resulting from work performed by the Group's outsourcing partners could lead to rectification costs being borne by the Group.

The Group may suffer from delays if its outsourcing partners do not have sufficient production capacity or fail to complete work that has been sub-contracted to them on time. Any such breach on their part may cause the Group to default under the contracts that it has entered enter into with its customers.

Any default by the Group's sub-contractors of their contractual obligations or any inability by them to complete their work according to specifications or on schedule will affect the Group's ability to meet its contractual obligations to its customers which could result in material claims being brought against the Group or loss of business by the Group and which, in turn could adversely affect the Group's business, financial condition and results of operations.

The Group relies on the services of its skilled workers and experts

Skilled workers, and in particular engineers and experts, play a significant role in the Group's businesses. The Group's ability to rebuild its business will depend on its ability to continue to retain the skilled workers and experts that it has retained since suspension of its business operations after Suspension and to recruit a sufficient number of additional skilled workers and experts. If the Group fails to do so, the Group's plan to rebuild its business may be delayed. The Group's business may also suffer if the Group loses the services of any of these personnel and could not adequately replace them.

The Group needs to keep up-to-date with the technology development in the industry

Technology in the shipbuilding and offshore and marine engineering industries constantly evolves. The Group's competiveness in the market will be affected by its ability to develop advanced technology and to continue updating its skills with the most advanced technology that is available. There is no assurance that the Group will always be updated with the most advanced technology in the market. If the technical skills of the Group's competitors are comparable with, or more advanced than the Group's, the Group's competitiveness and market share will be adversely affected, which will in turn materially and adversely affect the Group's business, financial condition and results of operations.

The Group's business and reputation may be affected by product liability claims, litigation, complaints or adverse publicity in relation to our products

Where any material defect in any product manufactured by the Group results in any financial loss, casualty and/or personal injuries on the part of any of the Group's customers or any other third parties, the Group may become subject to material claims for compensation, and may also incur significant legal costs, which could materially and adversely affect our business, financial condition and results of operations.

The Group may be subject to liability in connection with industrial accidents at its production facilities

The Group's operations involve the operation of heavy machinery that could result in industrial accidents and could cause injuries or deaths. There is no assurance that industrial accidents, whether due to malfunction of machinery or other reason, will not occur. In such an event, the Group may be liable for loss of life and property, medical expenses, medical leave payment and other payments, and may be subject to interruptions to its operations.

All of the Group's production facilities are located at the Quanzhou Shipyard

Immediately following the completion of the Restructuring, the Quanzhou Shipyard will be the principal production base of the Group. Any material interruption to the Groups' production operations at the Quanzhou Shipyard, whether caused by any damage to or destruction of any part of the production facilities, whether arising from unexpected or catastrophic events, such as earthquakes, fires or floods, or epidemics or other similar events or otherwise, could prevent the Group from carrying on its normal business operations, which could have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group may suffer certain losses not covered by insurance

Risks associated with the Group's operations include damage to equipment and facilities, environmental pollution, transportation damage and delays, and risks posed by natural disasters, any of which may result in losses to the Group.

Consistent with what the Directors believe to be the industry practice in China, the Group does not maintain any insurance coverage for certain incidents, including but not limited to, third party liability, business interruption or environmental damages arising from accidents on the Group's property or relating to its operations, risks associated with natural disasters, or product liability insurance, directors' and officers' liability insurance or key-man life insurance on the Group's executive officers. The Group's financial condition and results of operations will be negatively affected if it incurs any loss which is not covered by its insurance policies, or if the amount of such loss exceeds the aggregate amount of its insurance coverage.

Risks relating to the Group's industry

Demand and pricing for the Group's produces are highly dependent on global economic conditions and cyclicality of the industries served by industry

Worldwide demand and pricing for the Group's products fluctuate with conditions in the shipping industry and the oil and gas industry, which in turn are significantly influenced by trends in global economic conditions. Companies in these industries experience significant fluctuations in their revenues and profitability due to a variety of factors, including general economic conditions and factors affecting each of these industries individually.

The industry in which the Group operates is competitive, and a further increase in completion or productivity by the Group's competitors may affect its market share and profit margins

Both the shipbuilding and offshore and marine engineering industries are highly competitive, with multiple global and domestic competitors. If the Group is unable to compete effectively in the market, its business may be materially and adversely affected. Some of the Group's potential competitors may have longer operating histories than the Group's, stronger relationship with their customers, great brand recognition, or greater financial, technical, marketing and public relationship resources than the Group has. The Group's market share could be affected if its competitors are able to develop any new technology or new products, or offer products that are comparable or superior to the Group's at a lower price. Increased competition in the future could result in price reductions and other strains on the Group's operations, which could materially and adversely affect the Group's business, financial condition and results of operations.

The Group's operations are vulnerable to significant operating hazards, natural disasters and other circumstances, which are beyond the Group's control and for which the Group has limited or no insurance

Though the Group maintains certain types and levels of insurance coverage it believes to be adequate based on the industry it operates in, the Group may not be fully covered, or covered at all, for certain circumstances that are beyond its control. Transportation disruptions, power shortages, weather, natural disasters, unexpected maintenance problems, destruction of or damages to the Group's production facilities, equipment or products, labour shortages, industrial accidents, and other matters beyond the Group's control are some of the factors that may significantly disrupt the the Group's business operations or cause a cessation in production at the Group's production facilities. Any of these could have a material and adverse effect on the Group's business, financial condition and results of operations.

Change in applicable policies related to offshore rig construction

Since the oil spill in the Gulf of Mexico in 2010, the policies related to health, safety and environment and other rules and regulations on offshore drilling have become more stringent. Changes in relevant policies and rules and regulations in the offshore rig market may affect oil producers' requirements for product specifications. Change in product specifications will increase production cost for offshore rig manufacturers and adversely affect manufacturers' business, financial position and results of operations.

Risks relating to the PRC

The Group's business, financial condition and results of operations are highly susceptible to changes in the PRC's political, economic and social conditions as the Group conducts its operations primarily in the PRC

The Group's production activities and principal place of business are located in the PRC. Accordingly, the Group's business and future growth are dependent on the political, economic, regulatory and social conditions of the PRC. Any changes in the policies implemented by the government of the PRC which result in currency and interest rate fluctuations, capital restrictions, and changes in duties and taxes detrimental to our business may adversely affect our business, financial condition and results of operations. Unfavorable changes in the social, economic and political conditions of the PRC and in PRC government policies in the future may adversely affect the Group's operations in the PRC which in turn may adversely affect its business, financial condition and results of operations. In particular, the recent global financial slowdown has resulted in various untested regulatory measures being taken within a short period of time by the PRC government to stabilize the economy which may result in uncertainties in the PRC's political, economic and social conditions.

The Group's PRC subsidiaries are foreign-invested enterprises and thus are subject to the PRC government's foreign investment policies and laws. For example, according to the Foreign Investment Industries Catalogue, industries are categorised as encouraged, restricted or prohibited for the purpose of approving and monitoring inbound foreign investments. Under the newly promulgated Foreign Investment Industries Catalogue promulgated on 10 March 2015 and became effective since 10 April 2015, the Group's shipbuilding business falls into the restricted category. As the Foreign Investment Industries Catalogue is updated every few years to reflect the changing policies on foreign investment in China, more of the Group's business may fall into the restricted or even prohibited category when the government further amends the Foreign Investment Industries Catalogue and if so, the Group will be subject to stringent restrictions on the operation, development and administration of its business. Consequently, the Group's business, financial condition and results of operations may be adversely affected.

Uncertainty in the PRC legal system may make it difficult for the Group to predict the outcome of any disputes in which it may be involved

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, circulars and directives. The PRC government is still in the process of developing its legal system so as to meet the needs of investors and to encourage foreign investment. As the PRC economy is undergoing development generally at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances.

Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are subject to policy changes and therefore, enforcement of laws in China is uncertain. There is no assurance that the introduction of new laws, changes to existing laws and the interpretation or application thereof or the delays in obtaining approvals from the relevant authorities will not adversely affect the Group's business, financial condition and results of operations.

Further, precedents on the interpretation, implementation and enforcement of the PRC laws and regulations are limited and decisions on precedent cases are not binding on lower courts. As such, the outcome of dispute resolution may not be as consistent or predictable as in other jurisdictions and it may be difficult to obtain the enforcement of a judgment by a court of another jurisdiction in the PRC. The Group may also be affected by any regulation implemented by the PRC government affecting its investments in its PRC subsidiaries, such as any regulation restricting the Group's shareholding ratio in any of its PRC subsidiaries.

We may fail to comply with PRC laws and regulations and if we fail to obtain, renew, extend or comply with the licenses, permits, certificates or approvals or pass the inspections that are required for our business operations and future business expansion, our business, financial condition and results of operations will be materially and adversely affected

The Group's business and operations in the PRC are subject to government rules and regulations, including safety and health regulations, environmental regulations, laws and regulations on the management of sea area and coastline use. The Group may be unable to meet the requirements set by the PRC authorities at all times. The Group may also be required to incur higher costs to comply with new PRC regulations if stricter or more onerous laws, rules or regulations are imposed, and the Group's business, financial condition and results of operations may be adversely affected.

We are required to obtain various licenses, permits and approvals and pass various inspections to carry out our business operations and future business expansion, including but not limited to, pollutant discharge licenses, foreign investment approvals, coastline use certificate, business licenses, tax registration certificates, foreign exchange registration certificates and various production facility inspections. Our failure to obtain and maintain any licenses, permits or approvals or pass the inspections that necessary to operate our business may adversely affect our business, financial condition and results of operations.

Any breach or non-compliance with any laws and regulations in the PRC applicable to the Group's business operations may result in the suspension, withdrawal or termination of the Group's business licenses or permits, or the imposition of fines or other penalties by the relevant authorities. Certain of the Group's licenses and permits were granted for a limited period and any extension is subject to the approval of the relevant authorities. Any suspension, withdrawal, termination or refusal to extend such licenses or permits may adversely affect the Group's business, financial condition and results of operations.

Changes in tax and other preferential policies may adversely affect the Group's business, financial condition and results of operations

The Company is incorporated under the laws of Bermuda with substantially all of its operations conducted through its PRC operating subsidiaries. PRC tax law and other preferential policies have been undergoing continuous changes in recent years. The Group's business has benefited from and may continue to benefit from certain PRC government incentives, such as export subsidy and loan interest subsidy. Further, the Group may also benefit from preferential policies implemented by the Fujian Provincial Government to encourage the development of marine engineering enterprises within the province. Expiration of, or changes to, these incentives may adversely affect the Group's business, financial condition and results of operations. When any tax benefits available to the Group expire or become unavailable as a result of the enactment of new laws or for any other reasons, the effective tax rate which the Group may then become subject to may increase significantly, which could adversely affect the Group's business, financial condition and results of operations.

The Group is subject to environmental laws and regulations which may increase its cost of doing business

The operations of the Group's operating subsidiaries in the PRC are subject to laws and regulations of the PRC relating to the protection of the environment and human health. These environmental laws and regulations impose limitations on the emission of noise and discharge of pollutants into the environment and establish standards for the generation, handling, storage, transportation, treatment and disposal of raw materials, hazardous waste and other materials. The government may impose significant fines or penalties for violations of these environmental laws and regulations. The production activities of the Group's operating subsidiaries in the PRC may produce harmful emissions including volatile or noxious chemical compounds, metal waste, noise, odor and wastewater. They are required to obtain permits for discharging pollutants from the relevant environmental authorities in accordance with PRC law and such permits are subject to annual inspections at the end of every year. In addition, in connection with any expansion of the Group's business, the Group's existing licenses, permits, authorisations or approvals may not match its growth and the Group may need to apply for new licenses, permits, authorisations or approvals. For example, the Group may not have the permission to discharge the increased amount of industrial waste water due to its increased manufacturing activities without obtaining new permits. If the Group fails to comply with these requirements or fail to obtain/renew such permits or pass any inspections (including but not limited to noise pollution checks, industrial discharge inspections) conducted by any relevant PRC authorities, it could be subject to fines or suspension of operations, which may adversely affect its business, financial condition and results of operations.

N. INDUSTRY OVERVIEW

The section contains information and statistics relating to the industry in which we will operate. We have derived certain such information and data partly from publicly available sources prepared by independent third parties. We believe that the sources of such information are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact that has been omitted that would render such information false or misleading. The information has not been independently verified by us, or any of our directors, affiliates or advisers, as to its correctness and accordingly such information should not be unduly relied upon.

Shipbuilding and ship repair industry

The shipbuilding and ship repair industry comprises construction, repair, conversion and upgrading of vessels of various types and models.

Shipbuilding

According to 中國海上石油鑽井平台行業市場調查及投資諮詢報告 (the market research and investment information report for China offshore rigs industry*), in recent years, the global shipbuilding industry witnessed remarkable fluctuations. The industry grew continuously from 2003 till 2007, but experienced a substantial downturn with declined new purchase orders and product price during 2008-2009, as a result of the ragged macro-economic conditions and the financial crisis. The industry performed modestly better in 2010, but again collapsed in 2011. In 2012, the total shipyard orders declined by about 40% as compared to 2011. The sluggish movement of global shipbuilding market was reflective of the weak economic fundamentals, euro zone debt crisis, and unavailability of shipping loans.

In the second half of 2013, the market, however, began to see early signs of rebound as new orders increased sharply. In 2015, it is expected to see remarkable investment opportunities in the shipbuilding industry since the PBOC has already proposed guidelines for raising the financial support needed to upgrade ship manufacturing.

Ship repair

The parameters that determine the scale of ship repair business include (a) seaborne trade growth and its geography, for its influence on our competitors' business scope, (b) world fleet growth, (c) fleet age profile, as older vessels are more prone to damages, and (d) freight market's conditions, for its impact on the timetable of repair and demolition work.

Scheduled repairs to merchant ships are the main source of repair work. It involves routine maintenance and other work to ensure satisfactory and seaworthy conditions of vessels. Ship repair should follow rules set up by a certain classification society, such as requirements on refurbishment.

In addition, repair requests also arises from ship operation accidents. Vessel damages may occur at the port area, such as collision against dock walls or offloading accidents, or on the sea, such as adverse weather or sea conditions, collisions, groundings, etc. Machinery failure may also occur, for example, to engines and steering gear.

The evolvement of seaborne trade is key to fleet size and therefore to ship repair demand. Theoretically, the supply and demand equilibrium could be achieved when newbuilds meet the demand for additional vessels and replacement of retired vessels. Unfortunately, the seaborne trade industry does not follow this "rational" evolvement. The evolvement of mainstream shipping market features cycles of a short peak period and a longer dip period. Nevertheless, the ship repair market is relatively stable, as compared to its shipbuilding counterpart.

Offshore and Marine Engineering

The world's demand for oil continues to increase despite gradual depletion of onshore oil reserves. With the technology advances in offshore oil and gas exploration and development, the offshore fields attract a growing global attention.

There has been a consistent increase in offshore exploration and drilling activities in the oil and gas industry in recent years and it is expected that this trend will continue as onshore oil and gas deposits decline through gradual depletion from production. According to the *Offshore Drilling Rigs Market – Global Forecast to 2019* published in January 2015, the global offshore drilling market is estimated to reach about US$134.02 billion by 2019, signifying a firm growth rate of over 10.6% from 2014 to 2019. Despite declines in the oil price and the US drilling rigs market, worldwide growth comes as a result of increased expenditure on exploration and production in areas with emerging economies such as Africa. Increased investments with high capital expenditure in the Asia-Pacific region of global offshore drilling is also likely to result in market growth, specifically the production of deepwater floater rigs.

Offshore Rig Market

At present, the offshore rigs can be classified into the following three categories:

Jackup rigs. The vast majority of jackup units are able to operate in water depths of up to 120 meters, with certain models able to operate in water depths of up to 170 meters. Jackup rigs are of medium stability and mobility among all types of offshore rigs.

Semi-submersibles. Semisubmersible rigs operate in water depths between 60 and 3000 meters. They are of relatively higher stability, suitable for areas under less stable weather and ocean current conditions. On the other hand, its mobility is relatively lower.

Drillships. The drillships are able to operate in water depths of up to 3700 meters. They are often used in exploration and drilling of new oil fields in deep sea and can also be used in scientific drilling. Drillships can be converted from hull tankers or built from scratch. They are of relatively lower stability but higher mobility.

According to the *Offshore Drilling Rigs Market – Global Forecast to 2019,* the global offshore rigs market is valued at US$65,773 million in 2014 and is projected to reach US$102,473 million by 2019, growing at a CAGR of 9.27% from 2014 to 2019. The progress of the offshore rigs market largely depends on growing exploration activities across the globe. The recent discoveries of oil and gas reserves in remote areas (such as natural gas discovery in fields of Tanzania and Mozambique in west Africa), along with increasing technological advancements in terms of equipment have made drilling operations more feasible and cost-effective.

Ongoing economic expansion in Asia-Pacific, particularly in China and India, will drive continued growth in the world's demand for energy over the next 20 years. According to the BP Energy Outlook 2035 published in February 2015, global demand for energy is expected to rise by 37% from 2013 to 2035, or by an average of 1.4% a year. Therefore, despite the dramatic recent weakening in global energy markets, the future of the industry remains bright, in particular for the emerging markets such as China and India.

In its 12th five-year plan, China announced plans to more than double its investment in offshore exploration and production activities to RMB 300 billion, up from RMB 120 billion in its 11th five-year plan. Offshore oil and gas production is also targeted to double to 100 million tons, from 50 million tons, annually. This will result in sharp increase in demand for MODUs, and further stimulate the offshore rig manufacturing industry.

Floating Production Systems

In the highly-competitive landscape of the shipbuilding industry, research and innovation is essential in realizing future development. Many shipyards have shifted their focus on construction and conversation of special purpose vessels, such as floating production systems.

(a) FPSO

FPSO is the main component of the floating production systems. A FPSO is a large offshore oil processing plant, combining various functions including production, storage, offloading, etc. It is usually moored at an offshore oil field by attaching to a single buoy for long periods of time and, together with subsea production equipment and shuttle tankers, forms a complete production system, particularly suitable for early production and development of marginal oil fields.

FPSOs are mainly converted from tankers, instead of newbuilds. Conversion is a complex task which normally takes 240 days to one year and occupies dry docks and quay space throughout.

Advantages of a FPSO are its low cost, high storage capacity, short delivery time and reusability. However, usage of FPSOs may be restricted by environmental conditions and risk of potential pollution. Technological innovations will allow FPSOs to overcome current capacity limitations and further reduce the construction costs.

Conversions account for the majority of the existing FPSO. With the market tendency towards more sophisticated vessels in deepwater areas, a larger proportion of FPSOs are expected to be newbuilds in the future. Conversions will continue to dominate in shallow water and marginal fields, while new builds will be preferred in deepwater fields. At any time, the number of FPSO conversions will be limited by the number of hulls available for conversion.

(b) FSO

A FSO is a type of floating storage system used by the offshore oil and gas industry and is designed to take oil or gas produced from nearby drilling platforms and store it until the oil or gas can be offloaded onto a tanker or transported through a pipeline.

(c) FSRU

A FSRU is designed to take, store, regasify liquefied natural gas (LNG) and transfer the regasified LNG onshore through a subsea pipeline, which will later be delivered to power plants and consumers through a pipeline. A FSRU contains two risers at its aft, controlling its direction and angle during offloading, without main propulsion system nor self-propelling ability.

The key components of FSRUs are single buoy mooring system, offloading system, LNG pumping system, regasification system, vaporisation system, etc.

On top of its LNG gathering function, a FSRU is also equipped with the ability to regasify and deliver LNG, making it a mobile offshore LNG terminal. FSRUs have attracted attention from manufacturers such as oil companies for its speediness and convenience. Recently many enterprises have been actively promoting the development of FSRU technology, demonstrating the technical and commercial feasibility of FSRUs. This technology has been transformed from concept into reality and has already been put into application.

(d) FLNG

FLNG is one of the most important progresses in offshore oil and gas development industry in recent years. As the entire LNG processing under a FLNG system is carried on completely offshore, without using subsea gas pipelines or onshore facilities, it largely reduces the cost in developing offshore oil and gas fields as well as its environmental impact, and provides a promising solution for development of offshore marginal fields in relatively remote areas. Currently, this technology is a hot topic in marine engineering industry and is still in its exploration and preparation stage in terms of FLNG's design and construction. More and more companies began to explore deepwater natural gas reserves. The world's first FLNG is expected to be put into use in near future.

O. SUMMARY OF RELEVANT LAWS AND REGULATIONS

Manufacture and repair of vessels and construction of offshore engineering

(i) Port Law of the People's Republic of China (《中華人民共和國港口法》) and Rules for the Administration of Port Operation (《港口經營管理規定》

In accordance with the Port Law of the People's Republic of China (《中華人民共和國港口法》) passed by the Standing Committee of the National People's Congress on 28 June 2003 and in effect since 1 January 2004 and revised on 24 April 2015, and the Rules for the Administration of Port Operation (《港口經營管理規定》) passed by the Ministry of Transport of the PRC on 29 October 2009 and in effect since 1 March 2010 and revised on 23 December 2014, a "Port Operation Permit" issued by the port administration authorities shall be obtained in accordance with the law prior to the conduct of port operations (including the provision of cargo loading/unloading (including transshipment), warehousing, intra-port barge transport, container stacking, container dismantling and assembly, and simple processing of cargo and its packaging). The conduct of port operation without a legally obtained port operation permit shall be ordered by the port administration authorities to be suspended and illegally generated income shall be forfeited. Where illegally generated income amounts to over RMB100,000, a fine ranging from 200% to 500% of the amount of illegally generated income shall be imposed. Where illegally generated income amounts to less than RMB100,000, a fine ranging from RMB50,000 to 200,000 shall be imposed.

(ii) Measures for the Approval and Administration of Port Waterfront Usage (《港口岸線使用審批管理辦法》)

In accordance with the Measures for the Approval and Administration of Port Waterfront Usage (《港口岸線使用審批管理辦法》) promulgated by the Ministry of Transport and NDRC on 22 May 2012 and enacted on 1 July 2012, construction projects utilising the port waterfront shall file an application for port waterfront utilisation with the port administration authorities of the locality where the port is situated in accordance with the law and obtain the approvals of relevant government authorities. A construction project which has received approval for the use of deepwater port waterfront shall present the approval documents for port waterfront utilisation as well as documents giving

approvals and permissions to the construction project to the transport authorities within 10 working days after such approval and permission documents for the construction project are obtained, so as to collect a port waterfront usage permit from the transport authorities. In the event of a change in the actual user of the waterfront as a result of the renaming of an enterprise or the transfer of controlling equity interests, or a change in the approved usage of the waterfront, approval of the original approving authorities shall be sought in accordance with procedures stipulated in the measures.

(iii) Administrative Regulations for the Prevention of Pollution and Damage of Marine Environment by Offshore Engineering Construction Projects (《防治海洋工程建設項目污染損害海洋環境管理條例》)

In accordance with the Administrative Regulations for the Prevention of Pollution and Damage of Marine Environment by Offshore Engineering Construction Projects (《防治海洋工程建設項目污染損害海洋環境管理條例》) promulgated on 1 November 2006, the said regulations shall apply to works to prevent pollution and damage of marine environment by offshore engineering construction projects in the sea areas of the PRC. According to the said regulations, offshore engineering includes new construction, conversion and expansion projects aimed at the development, use, protection and recovery of marine resources and the main body of which is located on the seaward side along the coastal line, such as the exploration and development of marine mineral resources and its auxiliary works.

The fixed platforms, movable platforms, floating oil storage units, oil transmission pipelines and other ancillary facilities used in the exploration and development of marine oil and gas mineral resources shall comply with requirements relating to the prevention of seeping, leakage and corrosion.

Units in charge of the new construction, conversion and expansion of offshore engineering projects shall appoint units with relevant qualifications in environmental impact assessment to prepare an environmental impact report and submit the same to the competent marine authorities for approval. At the same time, the construction unit shall not dismantle or render idle the environmental protection facilities for offshore engineering projects without approval.

(iv) Regulations of the People's Republic of China for the Inspection of Vessels and Marine Facilities (《中華人民共和國船舶和海上設施檢驗條例》)

In accordance with the Regulations of the People's Republic of China for the Inspection of Vessels and Marine Facilities (《中華人民共和國船舶和海上設施檢驗條例》) promulgated on 14 February 1993, marine facilities installed or to be installed within the sea areas of the PRC shall be in compliance with the said regulations. Marine facilities include various types of fixed or floating structures, installations and fixed platforms above and under the water. Application for construction inspection shall be made for the construction and conversion of marine facilities. Personnel concerned shall be held responsible for violation of the said provisions and acquisition of inspection certificates by fraudulent means.

(v) Law on Inbound Water Transportation Management of the PRC (國內水路運輸管理條例)

According to the Law on Inbound Water Transportation Management of the PRC (國內水路運輸管理條例) promulgated by the State Council of the PRC on 13 October 2012, and implemented on 1 January 2013, for an operator engaging in ancillary water transportation business for the provision of services for water transportation such as vessel management and vessel agency services, when applying to operate the relevant vessel management business in the PRC, it shall obtain the approval from the competent water transportation authority under the local district municipal level people's government or above. The approval authority should make a licensing decision if an applicant has complied with the conditions, issue the Operation License for Vessel Management Business of the PRC (國內船舶管理業務經營許可證), and file with the competent transport authority under the State Council. For unapproved vessel management business operation, or operates the vessel management business in the PRC beyond the scopes approved, in addition to terminating its illegal operation by order, its illegally generated income will be confiscated, and a fine of over one time but below five times of the same will be imposed. In the event of no illegally generated income or the amount is less than RMB30,000, a fine of over RMB30,000 but below RMB150,000 will be imposed.

(vi) Law of the People's Republic of China on the Management of Sea Area Use (《中華人民共和國海域使用管理法》)

In accordance with the Law of the People's Republic of China on the Management of Sea Area Use (《中華人民共和國海域使用管理法》), entities and individuals who require to use the sea areas for construction works such as the construction of shipbuilding dockyards shall file an application for usage of sea areas to competent authorities for the administration of offshore matters under the people's government at county level or above neighbouring such sea areas in accordance with the law. The right to use sea areas shall be obtained following approval by the people's government who owns the authority of approval and the issuance of the certificate of right to use sea areas. Where there are cases of illegal occupation of sea areas against such law, without approval or upon approval obtained through deceptive means, the competent authorities for the administration of offshore matters shall order the vacation of illegally occupied sea areas, restoration of the original state of conditions, disgorgement of illegally generated income and a fine in the range of 500% to 1500% of the sea areas usage fee payable for period of illegal occupation in respect of the area of illegally occupied sea areas. Parties who carry out fence-off or reclamation at the sea areas without approval or upon approval obtained through deceptive means shall be subject to a fine in the range of 1000% to 2000% of the sea areas usage fee payable for period of illegal occupation in respect of the area of illegally occupied sea areas.

(vii) Basic Requirements and Assessment Method for the Production Means of Vessel Manufacturers (《船舶生產企業生產條件基本要求及評價方法》)

The Basic Requirements and Assessment Method for the Production Means of Vessel Manufacturers (《船舶生產企業生產條件基本要求及評價方法》)(the ''Standards'') promulgated by the Commission of Science, Technology and Industry for National Defense on 23 March 2007 have provided for the basic requirements and assessment method for the production means of enterprises engaged in vessel production (including construction and conversion) in the PRC. In accordance with Clause 7.4 of such Standards, the minimum registered capital of various classes of vessel manufacturers shall comply with corresponding standards. Moreover, in accordance with Clause 8.2.1 of the Standards, vessel manufacturers of various classes shall each obtain a certificate of quality assurance system compatible with their respective classes. In accordance with Clause 8.15, the discharge or disposal of waste water, refuse and waste materials by vessel manufacturers of various classes shall be in compliance with pertinent national regulations. Plants and facilities shall be in compliance with pertinent national regulations on the administration of safety and fire prevention matters. The operation of special equipment shall fulfill pertinent national regulations on the administration of special equipment.

Others

(i) Laws and regulations pertaining to labour protection

In accordance with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), an employer unit shall develop and improve its rules and regulations according to the law to assure entitlement to labour rights and fulfillment of labour obligations by its workers. An employer unit must develop and improve its labour safety and health system, stringently implement national protocol and standards on labour safety and health, conduct labour safety and health education for workers, prevent the occurrence of labour accidents and reduce occupational hazards. Labour safety and health facilities must comply with relevant national standards. An employer unit must provide to workers necessary labour protection gear that complies with labour safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupationally hazards. Labour engaged in special operations must have received specialised training and obtained qualifications for manning specialised operations. An employer unit shall develop a vocational training system. Vocational training funds shall be set aside and applied in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

The Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) enacted on 1 January 2008 provides regulation over both parties to a labour contract, namely the employer and the employee, and contains specific provisions involving the terms of a labour contract. It is stipulated under the Labour Contract Law that a labour contract must be made in writing. An employer and a worker may enter into a fixed-term labour contract, a labour contract with an indefinite term or a labour contract that concludes upon the completion of certain works assignments, after reaching agreement upon due negotiations. An employer may terminate a labour contract and dismiss its employee in accordance with the law after reaching agreement upon due negotiations with the worker or fulfilling the statutory conditions for doing so. In accordance with the said law, labour contracts entered into in a lawful manner prior to the enactment of the said law and subsisting on the date the said law came into effect shall continue to be honoured. In respect of a labour relationship established prior to the enactment of the said law and for which no labour contract in writing has been made, such labour contract in writing shall be entered into within one month from the date of the enactment of the said law.

In accordance with the Provisional Regulations for the Collection and Payment of Social Insurance Premium (《社會保險費徵繳暫行條例》), Regulations for Work Injury Insurance (《工傷保險條例》), Regulations for Unemployment Insurance (《失業保險條例》) and Trial Measures for Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in the PRC shall provide benefit schemes for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premium for or on behalf of employees. The "Social Insurance Law of the People's Republic of China" promulgated on 28 October 2010 has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in greater detail the obligations and legal liabilities of employer units who do not comply with pertinent laws and regulations on social insurance.

In accordance with the Regulations for the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated on 3 April 1999 and revised on 24 March 2002, housing provident fund contributions paid up in deposit by an individual employee and housing provident fund contributions paid up in deposit by his or her employer unit shall belong to the individual employee. Housing provident fund contributions paid up in deposit by individual employees shall be withheld and paid up from their wages each month by the employer unit on their behalf. The employer unit shall pay up and deposit housing provident fund contributions in full in a timely manner. Late or insufficient payments shall be prohibited.

The employer unit shall process housing provident fund payment and deposit registration with the housing provident fund administration centre and, following due examination by the housing provident fund administration centre, open an employee housing provident fund account with an appointed bank. Each employee may only have one housing provident fund account. The housing provident fund administration centre shall open a special housing provident fund account with the appointed bank, and shall establish a ledger of employee housing provident fund to record the payment, deposit and withdrawal of individual employee housing provident fund. In respect of companies who fail to process housing provident fund payment and deposit registration or open housing provident fund accounts for their employees in violation of the said regulations shall be ordered by the housing provident fund administration centre to complete such procedures within a designated period. Those who fail to process within the designated period shall be subject to a fine in the range of RMB10,000 to RMB50,000. Where companies fail to pay up housing provident fund contributions in full as due in violation of the said regulations, the housing provident fund administration centre shall order such companies to pay up within a designated period, and may further apply to the People's Court for mandatory enforcement against those who still fail to comply after the expiry of such period.

(ii) Provisions on Guiding the Orientation of Foreign Investment《指導外商投資方向規定》and Foreign-invested Industry Guidance Catalogue (Revised 2015)(《外商投資產業指導目錄(2015年修訂)》)

In accordance with the Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》) promulgated on 11 February 2002 and became effective since 1 April 2002, projects with foreign investment shall fall into four categories, namely encouraged, permitted, restricted and prohibited. The encouraged, restricted and prohibited projects with foreign investment may be listed in the Guidance Catalog of Industry with Foreign Investment (《外商投資產業指導目錄》) but the permitted projects shall be excluded. The Foreign-invested Industry Guidance Catalogue (Revised 2015) (《外商投資產業指導目錄(2015年修訂)》) which was revised on 24 December 2011 and came into effect on 30 January 2012, includes specific provisions for guidance over the entry of foreign capital into the PRC market. The catalogue stipulates in detail industries in which foreign investments are encouraged, industries in which foreign investments are subject to restrictions and industries in which foreign investments are prohibited, namely, the encouraged industries, restricted industries and prohibited industries. As guided by the said catalogue, the Group's businesses of "container production and manufacturing," "production and manufacturing of transport and special vehicle," "financing lease" and "the sales of scrap metal" are not mentioned in the catalogue and therefore shall be deemed as permitted industries. "Manufacturing and repair of offshore engineering equipment (including modules)," "manufacturing of low-to-medium speed diesel engine and bent axle for vessels (with Chinese party shareholders accounting for majority)," "design and manufacturing of vessel cabin mechanics (with Chinese party shareholders accounting for relative majority)," "design of low-to-medium speed diesel engine for vessels and its parts and components (by equity or cooperative joint ventures only)," "design of deepwater (3,000 metres or more) offshore engineering equipment (by equity or cooperative joint ventures only)" and "manufacturing of floating drilling systems and floating production systems with an operating water depth of more than 1500 meters and supporting subsea oil extraction, collection and transportation equipment" are encouraged industries. "Repair, design and manufacturing of vessels (including sections)" is restricted industry. "Finance Company" is no longer restricted industry.

P. INFORMATION ON GZE AND THE INTENTIONS REGARDING THE COMPANY

On 30 August 2012, Fame Dragon, a company ultimately wholly-owned by GZE entered into four share purchase agreements with companies ultimately beneficially owned by the former chairman of the Group, Mr. Tsoi Tin Chun and/or his spouse to acquire all of the Shares held by them in the Company, which in aggregate amounted to approximately 45.5% of the issued share capital of the Company. None of those share purchase agreements has been completed as the Company is subject to the ongoing winding up proceedings in Bermuda referred to above and section 166 of the Companies Act in Bermuda provides that in a winding up by the court, any transfer of shares in the Company after the commencement of the winding up would be void unless the court otherwise orders. The seller under each of those agreements has, however, executed irrevocable proxies in favour of Fame Dragon to enable Fame Dragon to exercise the voting rights attached to the Shares being sold under such agreement. GZE, through Fame Dragon, thereby acquired control over 45.5% of the total voting rights in the Company with effect from 30 August 2012.

Fame Dragon is a company incorporated in Hong Kong on 21 January 2010 with limited liability and is principally engaged investing and trading. The ultimate beneficial owner of Fame Dragon is GZE while the shares of Fame Dragon are held by Guangdong Zhenrong (Hong Kong) Company Limited which in turn is wholly owned by GZE.

GZE is an enterprise incorporated under the laws of the PRC which carries on the business of bulk commodities, energy and resource trading and is principally involved in the trading of petroleum products, non-ferrous metals, coal, chemical products amongst other products or services. GZE is also in the business of onshore and offshore investments in petroleum refinery and warehousing and logistics terminal in relation to petroleum. GZE is owned as to 44.3% by Zhuhai Zhen Rong Company (a PRC state-owned enterprise managed by the State-owned Assets Supervision and Administration Commission of the State Council), as to 35% by Hainan Li Jin Investment Co., Ltd (which is owned by Xia Ying Yan, He Xiao Qun and Liang Wei), as to 15% by Beijing Mo Ya Xun Technology Co Ltd (which is owned by Li Tong Nan and Liu Ge), and as to 5.7% by Beijing Ding Da Investment Co. Ltd. (which is owned by Shanghai Yafeng Investment Management Co. Ltd.(上海亞峰投資管理有限公司), Gao Yong Qing and Gao Wei). Shanghai Yafeng Investment Management Co. Ltd. is owned by An Ning and Yu Zhi Rong.

The directors of GZE are Xiong Shaohui, Luo Jie, Xia Yingyan, Li Tongnan and Fan Qinghua, with its registered address at 35/F, International Finance Plaza, No. 8 Huaxia Road, Zhujiang New Town, Tianhe District, Guangzhou. The principal members of GZE's concert group includes GZE, Fame Dragon and DBIL. Zhuhai Zhen Rong Company has no director and the sole director of Hainan Li Jun Investment Co., Ltd. is Xia Yingyan. The directors of Guangdong Zhenrong (Hong Kong) Company Limited are Xiong Shao Hui, Wei Qi, Tang Chao Zhang and Ma Jinsong. The directors of Fame Dragon are Tang Chao Zhang, Lu Hai and Wei Qi and the directors of DBIL are Fan Qinghua, Tang Chao Zhang and Lu Hai.

GZE intends to continue the shipbuilding and repair business of the Restructured Group after completion of the Restructuring and will maintain the listing status of the Company on the main board of the Stock Exchange following completion of the Restructuring. Meanwhile, GZE will conduct a review on the business operations and financial position of the Restructured Group for the purpose of formulating business plans and strategies for the future business development of the Restructured Group in order to enhance the long-term growth potential of the Restructured Group. Subject to the results of the review and formulation of an appropriate business plan for the Restructured Group, it is the intention of GZE to further improve the existing business operation of the Restructured Group by taking advantage of the business network of GZE. While the onshore and offshore oil storage facilities previously owned by the Group have, as described above, been acquired and are now owned by GZE, there are currently no plans for such assets to be re-introduced into the Group and for the Group to resume the oil storage business. GZE has no intention to discontinue employment of the current employees of the Restructured Group or redeploy the fixed assets of the Restructured Group after completion of the Restructuring other than in its ordinary and usual course of business. GZE and the Company will comply with the relevant requirements under the Listing Rules in the event any possible diversification of the Group's business operations materializes after completion.

Q. INFORMATION ON THE KEPPEL GROUP

Keppel is incorporated and domiciled in Singapore and is listed on the Singapore Exchange. Temasek Holdings (Private) Limited, an investment company owned by the Singapore Government, is the largest shareholder of Keppel. The Keppel Group has engaged in the shipbuilding business for more than 40 years and has extensive experience and expertise in the design and construction of offshore rigs and other floating systems and the conversions of FPSO, FSO, FSRU and drillships.

According to the annual report of Keppel, for the year ended 31 December 2014, the marine and offshore division of the Keppel Group generated revenue and net profit of S$8,556 million (equivalent to approximately HK$52,365.3 million) and S$1,092 million (equivalent to approximately HK$6,683.4 million), respectively. In 2013 and 2014, the Keppel Group completed the construction and delivery of 22 and 7 rigs respectively, and completed the conversion and upgrading of five and seven FPSO and FSO units respectively and eight and nine specialised vessels respectively. The Keppel Group also owns various proprietary designs and patents which are used in connection with the production of their offshore rigs.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Keppel Group is, save as disclosed in this circular, an Independent Third Party.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save for GZE is the customer of the Keppel Group, Keppel Group is independent of GZE and Fame Dragon.

R. FINANCIAL EFFECT OF THE RESUMPTION PROPOSAL

The unaudited pro forma financial information of the Group is set out in Appendix II to this circular. Taking into account the financial effects of the Restructuring:

The unaudited pro forma total assets value and net assets of the Group were approximately HK$3,685.1 million and HK$342.2 million respectively as if the Restructuring have been completed on 31 December 2014.

S. THE AUDIT QUALIFICATIONS

Please refer to Appendix I of this circular for the qualification opinions as extracted from the annual report of the Company for the year ended 31 December 2014. Below is the management responses for the qualification opinions which adopted the same numbering as referred to the qualification opinions in the Appendix I of this circular. The auditors concurred with the expected timing of removal of audit qualifications subject to the fulfillment of conditions set out below.

(a) Scope limitation – Subsidiaries operated in Singapore

Partial books and records of the Group's subsidiaries which operated in Singapore (the "Singapore Subsidiaries") were unable to be located as a consequence of the re-location of their office and servers, the resignations of key management, operation and accounting personnel and records have been under the control of liquidators, the Group were unable to provide sufficient appropriate evidence for the auditors of the Company to perform their audit of the Singapore Subsidiaries.

17 of the affected Singapore Subsidiaries were placed into liquidation in 2013 and the other affected Singapore Subsidiaries were placed into liquidation in 2014. Subject to the liquidation is completed in 2015, the audit qualification is expected to be removed during the year ending 31 December 2015.

(b) Scope limitation – Impairment of other receivables

Included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014 was impairment of other receivables of approximately HK$1,214,000. The Group were unable to obtain sufficient appropriate audit evidence regarding the impairment of other receivables because (i) there was inadequate documentary evidence available for us to verify the identity and nature of the other receivables; (ii) we were unable to carry out any effective confirmation procedures in relation to the other receivables for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the other receivables were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the impairment of other receivables were free from material misstatement.

The Group is undertaking measures to identify the identity and nature of the balances and expected to complete the identification during the year ending 31 December 2015. Subject to completion of the identification, the balances are expected to be ascertained and the audit qualification is expected to be removed during the year ending 31 December 2015.

(c) Scope limitation – Assets and liabilities of a disposal group classified as held for sale

(1) Scope limitation – Property, plant and equipment and prepaid land/seabed lease payments of a disposal group classified as held for sale

Pursuant to Hong Kong Financial Reporting Standard 5, Non-Current Assets Classified as held for Sale and Discontinued Operation ("HKFRS 5"), a disposal group classified as held for sale should be measured at the lower of its carrying amount and fair value less costs to distribute. The Group remeasured the property, plant and equipment and prepaid land/seabed lease payments of the disposal group at fair values less cost to sell with reference to valuation reports. However, the Group is unable to determine the fair value less cost to sell of the disposal group as at 31 December 2014. In the absence of comparison between the fair values less cost to sell of individual assets and the disposal group, the auditors of the Company were unable to obtain sufficient appropriate evidence to satisfy themselves as to the reasonableness of the bases and assumptions used in arriving the amounts of property, plant and equipment and prepaid land/seabed lease payments of the disposal group as at 31 December 2014 of approximately HK$2,488,687,000 and HK$306,345,000 respectively.

As mentioned in this circular, the Group has entered into the Shipyard Termination Agreement with GZE, pursuant to which the parties conditionally agreed that the Shipyard Sale and Purchase Agreement be terminated. Subject to completion of the Shipyard Termination Agreement in 2015, the disposal group classified as held for sale as at 31 December 2014 will cease to be classified as held for sale in 2015. The non-current asset that ceases to be included in a disposal group classified as held for sale will be measured at the lower of (a) its carrying amount before the disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the disposal group not been classified as held for sale, and (b) its recoverable amount at the date of the subsequent decision not to sell according to HKFRS 5. As a result, the disposal group including the property, plant and equipment and prepaid land/seabed lease payments will no longer measure at fair value less cost to distribute and the audit qualification is expected to be removed during the year ending 31 December 2015.

(2) Scope limitation – Prepayments, deposits and other receivables of a disposal group classified as held for sale

The prepayments, deposits and other receivables of a disposal group classified as held for sale at 31 December 2014 was approximately HK$21,437,000. The Group was unable to provide sufficient appropriate evidence regarding the nature and the impairment testing of the prepayments, deposits and other receivables and the auditors of the Company were also unable to carry out effective confirmation procedures.

The Group will negotiate with the debtors individually to confirm the nature and amounts owed by them. Subject to completion of the negotiation with the debtors to confirm the nature and amounts owed by them in 2015, the audit qualification is expected to be removed during the year ending 31 December 2015.

(3) Scope limitation – Accounts and bills payables of a disposal group classified as held for sale

The accounts and bills payables of a disposal group classified as held for sale as at 31 December 2014 was approximately HK$93,861,000. The Group was unable to provide sufficient appropriate evidence regarding the nature of the accounts and bills payables and the auditors of the Company were also unable to carry out effective confirmation procedures.

The Group will negotiate with the creditors individually to confirm the nature and amounts owed to them. Subject to completion of the negotiation with the creditors to confirm the nature and amounts owed to them and the completion of the Assumption Agreement, the audit qualification is expected to be removed during the year ending 31 December 2015.

(4) Scope limitation – Other payables and accruals of a disposal group classified as held for sale

The other payables and accruals of a disposal group classified as held for sale as at 31 December 2014 was approximately HK$416,533,000. The Group was unable to provide sufficient appropriate evidence regarding the nature of the other payables and accruals and the auditors of the Company were also unable to carry out effective confirmation procedures.

The Group will negotiate with the creditors individually to confirm the nature and amounts owed to them. Subject to completion of the negotiation with the creditors to confirm the nature and amounts owed to them and the completion of the Assumption Agreement, the audit qualification is expected to be removed during the year ending 31 December 2015.

(d) Scope limitation – Amounts due from/to holding companies of a deconsolidated jointly-controlled entity

As the jointly-controlled entity was deconsolidated from the Group during the year ended 31 December 2012, the Group was unable to provide sufficient evidence regarding the nature and the impairment testing of the amounts with a deconsolidated jointly-controlled entity and the auditors of the Company were unable to carry out effective confirmation procedures in relation to the amounts due from/to holding companies of a deconsolidated jointly-controlled entity.

The deconsolidated jointly-controlled entity was placed into liquidation during the year ended 31 December 2012. Subject to the liquidation of the deconsolidated jointly-controlled entity is completed in 2015, the Group will no longer have balances owed from/to the deconsolidated jointly-controlled entity and then the audit qualification is expected to be removed during the year ending 31 December 2015.

(e) Scope limitation – Amounts due from/to deconsolidated subsidiaries

The deconsolidated subsidiaries represented part of the Singapore Subsidiaries. As mentioned above, partial books and records of the Singapore subsidiaries were unable to be located and therefore the Group is unable to provide sufficient appropriate evidence to the auditors of the Company regarding the amounts due from/to the deconsolidated subsidiaries.

17 of the affected Singapore Subsidiaries were placed into liquidation in 2013 and the other affected Singapore Subsidiaries were placed into liquidation in 2014. Subject to the liquidation is completed in 2015, the audit qualification is expected to be removed during the year ending 31 December 2015.

(f) Scope limitation – Financial guarantee contracts and commitments

The auditors of the Company were unable to verify whether all financial guarantee contracts and commitments committed by the Group were included in the consolidated financial statements of the Group and financial statements of the Company as at 31 December 2014.

Subject to completion of the Restructuring mentioned in the Resumption Proposal in 2015, including the Remaining Indebtedness Arrangements and the GZE Undertaking of Excess Liabilities, it is expected that this audit qualification will be removed during the year ending 31 December 2015.

(g) Scope limitation – Events after the reporting period

In light of the audit qualifications and limitations above, the auditors of the Company were unable to verify the occurrence, accuracy and completeness of the events after the reporting period, which may have occurred between the period from 1 January 2015 to the date of the auditors' report.

Subject to removal of all other related audit qualifications on the Group's financial statements in 2015, the Company expects that this audit qualification will also be removed during the year ending 31 December 2015.

(h) Scope limitation – Related party transactions

In light of the audit qualifications and limitations above, the auditors of the Company were unable to verify the occurrence, accuracy and completeness of the related party transactions, which may have occurred during the year ended 31 December 2014.

Subject to removal of all other related audit qualifications on the Group's financial statements in 2015, the Company expects that this audit qualification will also be removed during the year ending 31 December 2015.

(i) Scope limitation – Opening balances and corresponding figures

The auditors' reports of the Group's consolidated financial statements for the years ended 31 December 2011, 2012, 2013 and 2014 were disclaimed in view, as a result, the opening balances and corresponding figures included in the Group's consolidated financial statements was also qualified. Subject to removal of all other audit qualifications on the Group's financial statements during the year ending 31 December 2015, the Company expects that this audit qualification will also be removed during the year ending 31 December 2016.

(j) Material uncertainties relating to the going concern basis

The Group had net current liabilities and net liabilities of approximately HK$3,816,444,000 and HK$3,832,634,000 respectively as at 31 December 2014. In addition, the Group was in default on repayments of several liabilities, included secured interest-bearing bank loans, fixed rate guaranteed senior notes, guaranteed senior convertible notes, guaranteed senior payment-in-kind notes, convertible preferred shares and notes payable. The Group also involved in several legal proceedings. These conditions indicate the existence of material uncertainties on the Group's ability to continue as a going concern.

As mentioned in this Resumption Proposal, the Group will implement the Restructuring, which involves, *inter alia*, (i) the Creditors' Scheme; (ii) the Remaining Indebtedness Arrangements; (iii) the Capital Reorganisation; (iv) the Open Offer; (v) the Share Subscriptions; (vi) the First Loan Agreement; (vii) the Second Loan Agreement; and (viii) the Supplemental Second Loan Agreement. Upon successful implementation of the Resumption Proposal, the Company will be able to compromise and discharge its indebtedness and to reschedule the repayment of the principal outstanding indebtedness at the level of its subsidiaries as well as to provide the Restructured Group with sufficient working capital for its future operations.

The legal proceedings involved include the Bermuda Proceedings, BVI Proceedings, Hong Kong Proceedings and the PRC Proceedings detailed in Section 7 of this Resumption Proposal.

For the Bermuda Proceedings, the Company expected that subject to the successful resumption and trading of the Shares and completion of the Restructuring in 2015, the Provisional Liquidators will be discharged and the winding up petition will be dismissed or withdrawn by the petitioner.

Subject to completion of the Restructuring mentioned in this Resumption Proposal in 2015, including the Remaining Indebtedness Arrangements and the GZE Undertaking of Excess Liabilities, it is expected that this audit qualification will be removed during the year ending 31 December 2015.

For the PRC Proceedings, on 23 December 2013, the Shanghai Intermediate Court ordered the discontinuation of the PRC Proceedings and on 26 December 2013, the Shanghai Intermediate Court approved the application by the plaintiff to the withdrawal of the claim initiated by the plaintiff against the Company, TQSL Holding and TPFL in relation to the Shipyard Sale and Purchase Agreement.

Subject to successful implementation of the abovementioned remedial actions in 2015, the Company expects that the uncertainties on the Group's ability to continue as a going concern and the audit qualification can be removed during the year ending 31 December 2015.

T. INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company is HK$150,000,000 divided into 14,445,000,000 ordinary shares of HK$0.01 each and 555,000,000 convertible preference shares of HK$0.01 each. In order to accommodate the issue of new Shares currently proposed as part of the Debt Restructuring and under the Shipyard Termination Agreement, the Open Offer, the Share Subscriptions, the Assumption Agreement as well as the Warrant Shares and FELS Warrant Shares, the Board proposes to increase the authorised share capital of the Company to HK$805,550,000 divided into 80,000,000,000 ordinary shares of HK$0.01 each and 555,000,000 convertible preferred shares of HK$0.01 each by the creation of an additional 65,555,000,000 ordinary shares of HK$0.01 each. The increase in the authorised share capital of the Company will be conditional upon the approval of the Shareholders by way of an ordinary resolution at the SGM.

U. IMPLICATION UNDER THE LISTING RULES AND TAKEOVERS CODE

GZE and its wholly-owned subsidiary Fame Dragon, by virtue of their holding of voting rights of 3,556,353,661 Shares (representing approximately 45.5% of the total Shares in issue as at the Latest Practicable Date) and through DBIL (a wholly-owned subsidiary of GZE) holding of the benefit of all interests arising under or in connection with the Listco Preferred Shares, are the controlling Shareholders and, hence, connected persons of the Company.

Shipyard Debt Rescheduling Agreement

Since the TQS Debt to which the Shipyard Debt Rescheduling Agreement relates is secured by, among other things, the assets of TQS, the Shipyard Debt Rescheduling Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company. As one or more of the Percentage Ratios exceeds 5%, the Shipyard Debt Rescheduling Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Shipyard Termination Agreement

The transactions contemplated under the Shipyard Termination Agreement, including the issue the Shipyard Termination Shares, constitutes a connected transaction of the Company. As one or more of the Percentage Ratios exceeds 5%, the Shipyard Termination Agreement (including the issue of the Shipyard Termination Shares) is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

TPG Debt Rescheduling Agreement, Haixin Debt Rescheduling Agreement, First Loan Agreement, Second Loan Agreement, Supplemental Second Loan Agreement, Working Capital Loan Agreement and 2015 Loan Agreement

The transactions contemplated under the TPG Debt Rescheduling Agreement, Haixin Debt Rescheduling Agreement, First Loan Agreement, Second Loan Agreement, Supplemental Second Loan Agreement, Working Capital Loan Agreement and 2015 Loan Agreement constitute connected transactions of the Company. As the transactions contemplated under the TPG Debt Rescheduling Agreement, Haixin Debt Rescheduling Agreement, First Loan Agreement, Second Loan Agreement, Supplemental Second Loan Agreement, the Working Capital Loan Agreement and 2015 Loan Agreement are conducted on normal commercial terms and not secured by assets of the Group, pursuant to Rule 14A.90 of the Listing Rules, it is exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Assumption Agreement

The transactions contemplated under the Assumption Agreement constitute a connected transaction of the Company. As one or more of the Percentage Ratios exceed 5%, the Assumption Agreement (including the issue of the Assumption Consideration Shares) is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Listco Preferred Shares Modification Deed

In respect of the change of terms of the Listco Preferred Shares under the Listco Preferred Shares Modification Deed, the Company requires to comply with the relevant connected transaction requirements. As one or more of the Percentage Ratios exceed 5%, the Listco Preferred Shares Modification Deed is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Open Offer

As the Open Offer will increase the issued share capital of the Company by more than 50% within the 12-month period immediately preceding the date of the Announcement, the Open Offer is subject to the approval by the Independent Shareholders in accordance with the requirements under Rule 7.24(5)(a) of the Listing Rules in which Fame Dragon and its associates (as such term is defined in the Listing Rules) shall abstain from voting in favour.

The underwriting of the Open Offer by the Underwriter pursuant to the Underwriting Agreement constitutes a connected transaction of the Company but is, pursuant to Rule 14A.92(2)(b) of the Listing Rules, exempt from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Wahen Investments Subscription

Wahen Investments, wholly-owned by Mr. Zhao, (who is the chairman, chief executive and an executive Director), is a connected person of the Company and, thus, the Wahen Investments Subscription contemplated under the Wahen Investments Subscription Agreement constitutes a connected transaction of the Company. As one or more of the Percentage Ratios exceeds 5%, the Wahen Investments Subscription is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Specific Mandate

The Company will seek the specific mandate from the Independent Shareholders for the allotment and issue of the new Shares to be issued under the Creditors' Scheme, Offer Shares, Subscription Shares, Warrant Shares, Assumption Consideration Shares and the Shipyard Termination Shares and FELS Warrant Shares.

Whitewash Waiver

In the event that (i) the Underwriter is called upon to subscribe or procure subscription for all or any part of the Offer Shares pursuant to its underwriting obligations under the Underwriting Agreement (assuming none of the Qualifying Shareholders accept their respective provisional allotment of the Offer Shares and no exercise of the Share Options); (ii) the Company will issue 9,382,164,000 new Shares to GZE pursuant to the Shipyard Termination Agreement and (iii) the Company will issue the Assumption Consideration Shares in the maximum number of Shares of 2,282,024,653 Shares to Fame

Dragon upon resumption of trading of the Shares on the Stock Exchange pursuant to the Assumption Agreement; the aggregate shareholding of GZE and the parties acting in concert with it will be increased from 45.5% of the voting rights in the total Shares in issue as at the Latest Practicable Date to a maximum of approximately 67.3% of the voting rights in the total Shares in issue as enlarged by the Open Offer, Share Subscriptions, the Debt Restructuring, the issue of Shipyard Termination Shares under the Shipyard Termination Agreement and issue of 2,282,024,653 Assumption Consideration Shares under the Assumption Agreement.

Under Rule 26 of the Takeovers Code, the acquisition of voting rights by GZE and the parties acting in concert with it under the above circumstances will result in GZE and the parties acting in concert with it being obliged to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by GZE and the parties acting in concert with it. An application has been made by GZE to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated it will grant the Whitewash Waiver, which if granted, will be subject to, among other things, the approval by the Independent Shareholders in the SGM by way of poll. If the Whitewash Waiver is not approved by the Independent Shareholders in a general meeting or granted by the Executive before 31 July 2015 (or such later date as the parties may agree), the restructuring agreements in relation to the Creditors' Scheme and the Resumption Proposal will not be completed and each respective party will terminate the aforementioned agreement(s). The Bermuda Court modified the long stop date to the Creditors' Scheme to ensure the Creditors' Scheme remain valid and binding until 31 July 2015. For the avoidance of doubt, the Whitewash Waiver will not cover any Assumption Consideration Shares to be issued in five years after the issue of the maximum of 2,282,024,653 Assumption Consideration Shares upon resumption of trading of Shares.

Shareholders should note that the maximum potential holding of voting rights for GZE and the parties acting in concert with it upon completion of the Restructuring will exceed 50% of the voting rights of the Company and that GZE and the parties acting in concert with it may increase its holding without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company.

Special Deal

The repayment of the outstanding indebtedness of the Group to the Scheme Creditors (among which Morgan Stanley & Co. International Plc, Mill Reef Investment S.A. and Mr. Ni Song Hua are existing Shareholders, which holds approximately 0.004%, 0.82% and 0.26% of the total issued shares of the Company as at the Latest Practicable Date and had debt amount due from the Company of US$5.0 million, US$2.3 million and US$17.9 million respectively) out of the proceeds from the Open Offer and the Share Subscriptions, which is not extended to all the other Shareholders, constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code. The Special Deal requires consent from the Executive under Rule 25 of the Takeovers Code, and such consent, if granted, shall be conditional upon the approval of the Independent Shareholders by way of a poll at the SGM and the Independent Financial Adviser to the TC Independent Board Committee publicly stating in its opinion that the terms of the Special Deal are fair and reasonable. The Company has applied to the Executive for its consent to the Special Deal

under Rule 25 of the Takeovers Code. Since the Special Deal consent by the Executive and the approval by the Independent Shareholders are a conditional precedent to the Open Offer, and since the restructuring agreements are inter-conditional, if the Special Deal consent is not approved by the Independent Shareholders or the Special Deal consent is not given by the Executive by 31 July 2015 (or such later date as the parties may agree), the restructuring agreements in relation to the Creditors' Scheme and the Resumption Proposal will not be completed and each respective party will terminate the aforementioned agreement(s). The Court modified the long stop date to the Creditors' Scheme to ensure the Creditors' Scheme remain valid and binding until 31 July 2015.

Voting

GZE, Fame Dragon and the parties acting in concert with any of them and Mr. Zhao and its associates will abstain from voting on the resolutions to approve the Open Offer, the Shipyard Debt Rescheduling Agreement, the Shipyard Termination Agreement, the Share Subscription Agreements, the Assumption Agreement, the Listco Preferred Shares Modification Deed, Special Deal and the Whitewash Waiver at the SGM.

Morgan Stanley & Co. International Plc, Mill Reef Investment S.A. and Mr. Ni Song Hua who have interests in the Special Deal will abstain from voting on the resolutions approving the Open Offer, the Shipyard Debt Rescheduling Agreement, the Shipyard Termination Agreement, the Share Subscription Agreements, the Assumption Agreement, the Listco Preferred Shares Modification Deed, the Special Deal and the Whitewash Waiver at the SGM.

V. AMENDMENT TO THE BYE-LAWS

The Bye-Laws are proposed to be amended to incorporate the terms of the Listco Preferred Shares (as set out in Appendix V of this Circular). The terms of the Listco Preferred Shares are subject to the Independent Shareholders' approval, ratification and confirmation at the SGM.

W. LR INDEPENDENT BOARD COMMITTEE AND TC INDEPENDENT BOARD COMMITTEE

The LR Independent Board Committee comprising Mr. Foo Meng Kee, Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders on the Open Offer, the Shipyard Debt Rescheduling Agreement, the Shipyard Termination Agreement, the Assumption Agreement, the Listco Preferred Shares Modification Deed, and the Wahen Investments Subscription Agreement.

The TC Independent Board Committee comprising Mr. Hu Zhong Shan, Mr. Foo Meng Kee, Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit, being all the non-executive Directors who have no direct or indirect interest in the Open Offer, the Shipyard Termination Agreement, the Assumption Agreement, the Whitewash Waiver and Special Deal, has been formed to advise the Independent Shareholders on the aforesaid transactions. Mr. Fan Qinghua, a non-executive Director, who is a director and a deputy general manager of GZE and a director of Fame Dragon and thus, may have conflict of interest in the Whitewash Waiver and is not a member of the TC Independent Board Committee.

X. SGM

The notice convening the SGM is set out on pages SGM-1 to SGM-10 of this circular. The SGM will be convened at 4902, 49/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Monday, 22 June 2015 at 11:00 a.m. for the purpose of, considering and, if thought fit, to approve, among other things, the Shipyard Debt Rescheduling Agreement, the Open Offer, the Shipyard Termination Agreement, the Share Subscription Agreements, the Assumption Agreement, the Listco Preferred Shares Modification Deed, the Whitewash Waiver, the Special Deal, the Authorized Share Capital Increase, the specific mandate to issue Shares and the amendments to the Bye-Laws.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company at 4902, 49/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

WARNING: The release of this circular does not mean that trading in the Shares will be resumed and listing of the Offer Shares, Subscription Shares and Warrant Shares will be approved by the Stock Exchange.

Y. RECOMMENDATION

Your attention is drawn to the letter of the LR Independent Board Committee and the letter of the TC Independent Board Committee set out on pages 135 to 136 and pages 137 and 138 of this circular respectively. Your attention is also drawn to the "Letter from the Independent Financial Adviser" set out on pages 139 to 184 of this circular.

The LR Independent Board Committee, after taking into consideration of the advice of the Independent Financial Adviser, considers that the terms of the Shipyard Debt Rescheduling Agreement, the Shipyard Termination Agreement, the Open Offer, the Wahen Investments Subscription Agreement, the Assumption Agreement and the Listco Preferred Shares Modification Deed are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders taken as a whole and recommends the Independent Shareholders to vote for the resolutions in these respects.

The TC Independent Board Committee, after taking into consideration of the advice of the Independent Financial Adviser, considers that the terms contemplated under the Open Offer, the Shipyard Termination Agreement, the Assumption Agreement, the Whitewash Waiver and the Special Deal are fair and reasonable and in the interests of the Company and the Independent Shareholders taken as a whole and recommends the Independent Shareholders to vote for the resolutions in these respects.

You are strongly advised to read the letter from the Independent Financial Adviser before voting.

The Directors believe that the transactions contemplated under the Open Offer, the Share Subscriptions, the Shipyard Termination Agreement, the Shipyard Debt Rescheduling Agreement, Wahen Investments Subscription Agreement, the Assumption Agreement, the Listco Preferred Shares Modification Deed, the specific mandate to issue new Shares, Whitewash Waiver, the Special Deal, the Authorized Share Capital Increase and the proposed amendment to the Bye-Laws are fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

Trading in the Shares was suspended with effect from 9:00 a.m. on 19 June 2012 and will remain suspended until further notice.

By Order of the Board
Titan Petrochemicals Group Limited
Zhao Xu Guang
Chairman and Chief Executive

Titan Petrochemicals Group Limited

(Provisional Liquidators appointed)

(Incorporated in Bermuda with limited liability)

(Stock Code: 1192)

29 May 2015

To the Independent Shareholders,

(1) OPEN OFFER;
(2) SHIPYARD DEBT RESCHEDULING AGREEMENTS;
(3) SHIPYARD TERMINATION AGREEMENT;
(4) ASSUMPTION AGREEMENT;
(5) LISTCO PREFERRED SHARES MODIFICATION DEED; AND
(6) WAHEN INVESTMENTS SUBSCRIPTION AGREEMENT

Dear Sir or Madam,

We refer to the circular dated 29 May 2015 issued by the Company (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

The LR Independent Board Committee has been established by the Board for the purpose of advising the Independent Shareholders in connection with the transactions contemplated under the Open Offer, the Shipyard Termination Agreement, the Shipyard Debt Rescheduling Agreement, the Assumption Agreement, the Listco Preferred Shares Modification Deed and the Wahen Investments Subscription Agreement, details of which are set out in the "Letter from the Board" in the Circular. The LR Independent Board Committee comprises the independent non-executive Directors namely Mr. Foo Meng Kee, Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit. Asian Capital has been appointed as the Independent Financial Adviser to advise the Independent Shareholders as well as the LR Independent Board Committee on, among other things, the Open Offer, the Shipyard Termination Agreement, the Shipyard Debt Rescheduling Agreement, the Assumption Agreement, the Listco Preferred Shares Modification Deed and the Wahen Investments Subscription Agreement. Details of the advice from the Independent Financial Adviser together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 139 to 184 of the Circular.

Having taken into account the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser, we are of the view that the terms contemplated under the Open Offer, the Shipyard Termination Agreement, the Shipyard Debt Rescheduling Agreement, the Assumption Agreement, the Listco Preferred Shares Modification Deed and the Wahen Investments Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Open Offer, the Shipyard Termination Agreement, the Shipyard Debt Rescheduling Agreement, the Assumption Agreement, the Listco Preferred Shares Modification Deed and the Wahen Investments Subscription Agreement, to be proposed at the SGM.

Yours faithfully
For and on behalf of the
LR Independent Board Committee

Mr. Foo Meng Kee	**Mr. Lau Fai Lawrence**	**Mr. Lau Yiu Kit**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

Titan Petrochemicals Group Limited

(Provisional Liquidators appointed)

(Incorporated in Bermuda with limited liability)

(Stock Code: 1192)

29 May 2015

To the Independent Shareholders,

(1) OPEN OFFER;
(2) SHIPYARD TERMINATION AGREEMENT;
(3) ASSUMPTION AGREEMENT;
(4) WHITEWASH WAIVER; AND
(5) SPECIAL DEAL

Dear Sir or Madam,

We refer to the circular dated 29 May 2015 issued by the Company (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

The TC Independent Board Committee has been established by the Board for the purpose of advising the Independent Shareholders in connection with the transactions contemplated under the Open Offer, the Shipyard Termination Agreement, the Assumption Agreement, the Whitewash Waiver and the Special Deal, details of which are set out in the "Letter from the Board" in the Circular. The TC Independent Board Committee comprises the non-executive Director and independent non-executive Directors namely Mr. Hu Zhong Shan, Mr. Foo Meng Kee, Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit who have no direct or indirect interest in the Open Offer, the Shipyard Termination Agreement, the Assumption Agreement, the Whitewash Waiver and Special Deal. Asian Capital has been appointed as the Independent Financial Adviser to advise the Independent Shareholders as well as the TC Independent Board Committee on, among other things, the Open Offer, the Shipyard Termination Agreement, the Assumption Agreement, the Whitewash Waiver and the Special Deal. Details of the advice from the Independent Financial Adviser together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 139 to 184 of the Circular.

Having taken into account the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser, we are of the view that the terms contemplated under the Open Offer, the Shipyard Termination Agreement, the Assumption Agreement, the Whitewash Waiver and the Special Deal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions in relation to Open Offer, the Shipyard Termination Agreement, the Assumption Agreement, the Whitewash Waiver and the Special Deal, to be proposed at the SGM.

Yours faithfully
For and on behalf of the
TC Independent Board Committee

Mr. Hu Zhong Shan	**Mr. Foo Meng Kee**	**Mr. Lau Fai Lawrence**	**Mr. Lau Yiu Kit**
Non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter from Asian Capital (Corporate Finance) Limited to the LR Independent Board Committee, the TC Independent Board Committee and the independent Shareholders which has been prepared for the purpose of inclusion in this Circular.



Suite 601, Bank of America Tower
12 Harcourt Road
Central, Hong Kong

To the LR Independent Board Committee, the TC Independent Board Committee and the independent Shareholders

29 May 2015

Dear Sirs,

PROPOSED RESTRUCTURING OF
TITAN PETROCHEMICALS GROUP LIMITED INVOLVING
(1) DEBT RESTRUCTURING;
(2) THE REMAINING INDEBTEDNESS ARRANGEMENTS;
(3) SHIPYARD TERMINATION AGREEMENT;
(4) PROPOSED OPEN OFFER;
(5) SUBSCRIPTION OF SHARES AND WARRANTS;
(6) ASSUMPTION AGREEMENT;
(7) LISTCO PREFERRED SHARES MODIFICATION DEED;
(8) APPLICATION FOR WHITEWASH WAIVER;
AND
(9) SPECIAL DEAL

I. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise (1) the LR Independent Board Committee on the Shipyard Debt Rescheduling Agreement, the Shipyard Termination Agreement, the Open Offer, the Wahen Investments Subscription Agreement, the Assumption Agreement and the Listco Preferred Shares Modification Deed; and (2) the TC Independent Board Committee on (i) the Whitewash Waiver in respect of the Underwriting Agreement (if the Open Offer proceeds), the Shipyard Termination Agreement and the Assumption Agreement, and (ii) the Special Deal; and (3) the Independent Shareholders on the aforesaid matters, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 29 May 2015 (the **"Circular"**) of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context indicates otherwise.

1. The Shipyard Debt Rescheduling Agreement

As at 31 March 2014, TQS, an indirect wholly-owned subsidiary of the Company, was indebted to GZE for amounts which are related to loans that were originally made by Shanghai Pudong Development Bank Co. Ltd. Fuzhou Branch to TQS over the period from 2009 to 2011. The bank subsequently assigned its rights and interests with respect to those loans and related security interests to China Cinda Asset Management Co., Ltd., which then further assigned those rights and interests to GZE. TQS has defaulted in its repayment obligations and these amounts have become immediately due and payable.

On 5 May 2014, TQS entered into the Shipyard Debt Rescheduling Agreement (as amended and supplemented on 22 August 2014, 27 February 2015 and 28 May 2015, respectively) with GZE in relation to the rescheduling of the repayment of principal loan amount and accrued interest as at the date of the Shipyard Debt Rescheduling Agreement of approximately RMB1,526.7 million in aggregate, i.e. the TQS Debt. The TQS Debt is secured by the construction in progress, machinery and buildings owned by TQS, among other things, the assets of TQS.

2. The Shipyard Termination Agreement

As set out in the Letter from the Board, on 5 May 2014, the Company, TPFL and TQSL Holding entered into the Shipyard Termination Agreement (as supplemented and amended by the supplemental agreements on 27 February 2015 and 28 May 2015, respectively) with GZE, pursuant to which the parties conditionally agreed that the Shipyard Sale and Purchase Agreement be terminated and with respect to the amount of RMB740.0 million (or approximately HK$938.2 million) that was originally paid by Grand China Logistics to TPFL and TQSL Holding the rights to which were subsequently assigned to GZE, the Company will issue 9,382,164,000 new Shares, i.e. the Shipyard Termination Shares, at the issue price of HK$0.10 to GZE in lieu of repayment of such amount.

3. The Open Offer

The Board proposes to put forward a proposal to raise not less than approximately HK$391.0 million and not more than approximately HK$392.1 million (before expenses) by way of the Open Offer of new Shares on the basis of one Offer Share for every two existing Shares held by the Qualifying Shareholders on the Record Date with the issuance of the Warrants on the same terms as those being offered to the Subscribers for no additional consideration to the Qualifying Shareholders who take up the Offer Shares on the basis of one Warrant for every unit of Offer Share taken up. On 5 May 2014, the Company and Fame Dragon entered into the Underwriting Agreement (as supplemented and amended by the supplemental agreements on 27 February 2015 and 28 May 2015, respectively) pursuant to which Fame Dragon conditionally agreed to fully underwrite the proposed Open Offer.

4. The Share Subscription Agreements

As set out in the Letter from the Board, pursuant to the Share Subscription Agreements, Victory Stand and Wahen Investments have conditionally agreed to subscribe for 1,300 million and 1,800 million new Shares at the subscription price of HK$0.10 per Subscription Share as well as 1,300 million and 1,800 million Warrants at no consideration, respectively.

5. The Assumption Agreement

On 20 August 2014, TQS entered into the Assumption Agreement (as supplemented and amended on 15 September 2014, 27 February 2015 and 28 May 2015 respectively) with Fame Dragon and the Company in respect of the indebtedness arising from certain accounts payables and other payables of TQS, pursuant to which Fame Dragon agrees to assume certain debts payable by TQS in consideration for the Company agreeing to allot and issue the Assumption Consideration Shares at the issue price of HK$0.1 per Share to the extent that immediately after the issue of any such Assumption Consideration Shares from time to time at least 25% of the Company's total issued share capital shall be held by the members of the public. Under the Assumption Agreement, no further Assumption Consideration Shares shall be issued after the fifth anniversary of the date of the resumption of trading in the Shares, and Fame Dragon will assume liabilities up to a maximum amount of RMB282,056,122.05 (equivalent to HK$359,542,041.5, based on the exchange rate of RMB1.00 to HK$1.274718091). Accordingly, the number of the Assumption Consideration Shares shall not exceed 2,282,024,653 Shares upon resumption of trading of the Shares on the Stock Exchange based on the existing issued share capital of the Company and shall not exceed 3,595,420,415 Shares throughout five years from the date of the resumption of trading in the Shares.

6. The Listco Preferred Shares Modification Deed

On 22 August 2014, the Company and DBIL, a subsidiary of GZE, entered into the Listco Preferred Shares Modification Deed (as supplemented and amended on 27 February 2015 and 28 May 2015) in relation to, among others, the extension of the redemption period of the Listco Preferred Shares.

7. Implications under the Listing Rules

The Shipyard Debt Rescheduling Agreement

GZE, by virtue of its holding through its wholly-owned subsidiary Fame Dragon of voting rights of 3,556,353,661 Shares (representing approximately 45.5% of the total Shares in issue as at the Latest Practicable Date) and through DBIL (a wholly-owned subsidiary of GZE) holding of the benefit of all interests arising under or in connection with the Listco Preferred Shares, is the controlling Shareholder and, hence, a connected person of the Company.

Since the TQS Debt to which the Shipyard Debt Rescheduling Agreement relates is secured by, among other things, the assets of TQS, the Shipyard Debt Rescheduling Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company. As one or more of the Percentage Ratios exceeds 5%, the Shipyard Debt Rescheduling Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Shipyard Termination Agreement

As mentioned above, GZE is a connected person of the Company. Accordingly, the transactions contemplated under the Shipyard Termination Agreement, including the issue of the Shipyard Termination Shares, constitute connected transactions of the Company. As one or more of the Percentage Ratios exceeds 5%, the Shipyard Termination Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Open Offer

As the Open Offer will increase the issued share capital of the Company by more than 50% within the 12-month period immediately preceding the date of the Announcement, the Open Offer is subject to approval by the Independent Shareholders in accordance with the requirements of the Rule 7.24(5)(a) of the Listing Rules in which Fame Dragon and its associates (as such term is defined in the Listing Rules) shall abstain from voting in favour.

The Wahen Investments Subscription Agreement

Wahen Investments, being wholly-owned by Mr. Zhao, the chairman, chief executive and an executive Director of the Company, is a connected person of the Company and, thus, the Wahen Investments Subscription contemplated under the Wahen Investments Subscription Agreement constitutes a connected transaction of the Company. As one or more of the Percentage Ratios exceeds 5%, the Wahen Investments Subscription contemplated under the Wahen Investments Subscription Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Assumption Agreement

As mentioned above, GZE is a connected person of the Company. Accordingly, the transactions contemplated under the Assumption Agreement constitute connected transactions of the Company. As one or more of the Percentage Ratios exceed 5%, the Assumption Agreement (including the issue of the Assumption Consideration Shares) is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Listco Preferred Shares Modification Deed

DBIL is a wholly-owned subsidiary of GZE and as mentioned above, GZE is a connected person of the Company. As such, the change of the terms of the Listco Preferred Shares under the Listco Preferred Shares Modification Deed constitutes a connected transaction of the Company. As one or more of the Percentage Ratios exceed 5%, the Listco Preferred Shares Modification Deed is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

8. Implications under the Takeovers Code

Whitewash Waiver

In the event that (i) Fame Dragon, being the underwriter of the Open Offer, is called upon to subscribe or procure subscription for all or any part of the Offer Shares pursuant to its underwriting obligations under the Underwriting Agreement (assuming none of the Qualifying Shareholders accept their respective provisional allotment of the Offer Shares and no exercise of the Share Options); (ii) the Company will issue 9,382,164,000 new Shares to GZE pursuant to the Shipyard Termination Agreement, and (iii) the Company will issue the Assumption Consideration Shares in the maximum number of 2,282,024,653 Shares to Fame Dragon upon resumption of trading of the Shares on the Stock Exchange pursuant to the Assumption Agreement, the aggregate shareholding of GZE and the parties acting in concert with it will be increased from 45.5% of the voting rights in the total Shares in issue as at the Latest Practicable Date to a maximum of 67.3% of the voting rights in the total Shares in issue as enlarged by the issuance of new Shares upon completion of the Open Offer, the Share Subscriptions, the Debt Restructuring, the Shipyard Termination Agreement and issue of Assumption Consideration Shares under the Assumption Agreement.

Under Rule 26 of the Takeovers Code, the acquisition of voting rights by GZE and the parties acting in concert with it under the above circumstances will result in GZE and the parties acting in concert with it being obliged to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by GZE and the parties acting in concert with it. An application has been made by GZE to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated it will grant the Whitewash Waiver, which if granted, will be subject to, among other things, the approval by the Independent Shareholders in the SGM by way of poll.

Special Deal

The repayment of the outstanding indebtedness of the Group to certain Scheme Creditors (among which Morgan Stanley & Co. International Plc, Mill Reef Investment S.A. and Mr. Ni Song Hua are existing Shareholders, which holds approximately 0.004%, 0.82% and 0.26% of the total issued Shares as at the Latest Practicable Date and had debt amount due from the Company of US$5.0 million, US$2.3 million and US$17.9 million respectively) out of the proceeds from the Open Offer and the Share Subscriptions, which is not extended to all the other Shareholders, constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code. The Special Deal requires consent from the Executive under Rule 25 of the Takeovers Code, and such consent, if granted, shall be conditional upon the approval of the Independent Shareholders by way of a poll at the SGM and the Independent Financial Adviser to the TC Independent Board Committee publicly stating in its opinion that the terms of the Special Deal are fair and reasonable. The Company has applied to the Executive for its consent to the Special Deal under Rule 25 of the Takeovers Code.

II. THE INDEPENDENT BOARD COMMITTEES

As the Latest Practicable Date, the Board consists of (i) four executive Directors, namely Mr. Zhao Xu Guang (Chairman and Chief Executive), Mr. Tang Chao Zhang, Mr. Wong Siu Hung Patrick and Mr. Fu Yong Yuan; (ii) two non-executive Directors, namely Mr. Fan Qinghua and Mr. Hu Zhong Shan; and (iii) three independent non-executive Directors, namely Mr. Foo Meng Kee, Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit.

The LR Independent Board Committee comprising Mr. Foo Meng Kee, Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit, being all the independent non-executive Directors who have no direct or indirect interest in the Shipyard Debt Rescheduling Agreement, the Shipyard Termination Agreement, the Open Offer, the Wahen Investments Subscription Agreement, the Assumption Agreement and the Listco Preferred Shares Modification Deed and the transactions contemplated thereunder, has been established to advise the Independent Shareholders as to whether the terms of the Shipyard Debt Rescheduling Agreement, the Shipyard Termination Agreement, the Open Offer, the Wahen Investments Subscription Agreement, the Assumption Agreement and the Listco Preferred Shares Modification Deed are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders taken as a whole.

The TC Independent Board Committee comprising Mr. Hu Zhong Shan, Mr. Foo Meng Kee, Mr. Lau Fai Lawrence and Mr. Lau Yiu Kit, being all the non-executive Directors who have no direct or indirect interest in the Whitewash Waiver and the Special Deal, has been established to advise the Independent Shareholders as to whether (i) the granting of the Whitewash Waiver in respect of the Underwriting Agreement (if the Open Offer proceeds), the Shipyard Termination Agreement and the Assumption Agreement and their respective terms; and (ii) the Special Deal is fair and reasonable and in the interests of the Company and the Independent Shareholders taken as a whole. Mr. Fan Qinghua, who is a non-executive Director and also a director and a deputy general manager of GZE and a director of Fame Dragon and thus, may have conflict of interest in the Whitewash Waiver, and is accordingly not a member of the TC Independent Board Committee.

We, Asian Capital (Corporate Finance) Limited, have been appointed as the Independent Financial Adviser to the LR Independent Board Committee, the TC Independent Board Committee and the Independent Shareholders on the aforesaid matters. Our appointment as the Independent Financial Adviser has been approved by the LR Independent Board Committee and the TC Independent Board Committee.

In our capacity as the Independent Financial Adviser, our role is to advise the LR Independent Board Committee, the TC Independent Board Committee and the Independent Shareholders as to (1) whether the terms of the Shipyard Debt Rescheduling Agreement, the Shipyard Termination Agreement, the Open Offer, the Wahen Investments Subscription Agreement, the Assumption Agreement and the Listco Preferred Shares Modification Deed are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders taken as a whole; and (2) whether the granting of the Whitewash Waiver and the Special Deal are fair and reasonable and in the interests of the Company and the Independent Shareholders taken as a whole, and as to voting.

Apart from a normal professional fee payable to us in connection with this appointment as the Independent Financial Adviser to the LR Independent Board Committee, the TC Independent Board Committee and the Independent Shareholders, no arrangements exist whereby we will receive any fees or benefits from the Company.

III. BASIS AND ASSUMPTIONS OF OUR OPINION

In forming our opinion and recommendation in relation to the Shipyard Debt Rescheduling Agreement, the Shipyard Termination Agreement, the Open Offer, the Wahen Investments Subscription Agreement, the Assumption Agreement, the Listco Preferred Shares Modification Deed, the Whitewash Waiver and the Special Deal and the transactions contemplated thereunder, we have considered, among other matters, information and documents including but not limited to (i) the Resumption Proposal; (ii) the Letter from the Board contained in the Circular; (iii) the Shipyard Debt Rescheduling Agreement; (iv) the Shipyard Termination Agreement; (v) the Wahen Investments Subscription Agreement; (vi) the Assumption Agreement; (vii) the Listco Preferred Shares Modification Deed; (viii) the Underwriting Agreement; (ix) the Announcement; (x) the annual reports of the Company for the three years ended 31 December 2014 (respectively, the "**Annual Report 2012**", "**Annual Report 2013**" and "**Annual Report 2014**"); and (xi) the other information, financial information and otherwise, contained in the Circular.

We have also relied on the information provided and statements and opinions made by the Company, its Directors, advisers and representatives, for which they take full responsibilities. We assumed that all relevant information and statements were true, accurate and complete at the time they were given or made and continue to be so as at the Latest Practicable Date. Independent Shareholders will be notified of material changes to such information provided and our opinion, if any, as soon as possible after the Latest Practicable Date and until the SGM. We also assumed that all views, opinions and statements of intention provided by the Directors, advisers and representatives of the Company had been arrived at after due and careful enquiries. The Company confirmed that there were no other material facts not contained in the information provided to us the omission of which would make any statement or opinion contained in the Circular misleading.

We have no reason to suspect that any material fact or information has been omitted or withheld from the information or opinions provided to us by the Company, its Directors, advisers or representatives, or to doubt the truth, accuracy or completeness of the information and representations or reasonableness of the opinions provided to us by them. We have not, however, conducted any independent verification on the information provided to us by the Company, its Directors, advisers or representatives, nor have we conducted any independent investigation into the business and affairs or the prospects of the Group. We therefore do not guarantee the accuracy or completeness of any of such information.

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendations, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

Prior to the Suspension, the Group was involved in the following principal activities:

(i) operation of onshore and offshore oil storage facilities;

(ii) transportation, supply and distribution of oil and chemical products; and

(iii) shipbuilding and ship repair.

1.1. Suspension of Trading

On 11 December 2010, the Company, TPFL and TQSL Holding, both wholly-owned subsidiaries (direct and indirect respectively) of the Company, entered into the Shipyard Sale and Purchase Agreement (as amended by supplemental agreements) with Grand China Logistics in relation to the sale by TPFL and TQSL Holding of, in aggregate, a 95% equity interest in TQS to Grand China Logistics at a cash consideration of approximately RMB1,665.7 million (or approximately HK$2,111.8 million) to be paid by instalments on specified dates.

On the same date, the Company entered into the GCL Subscription Agreement with Grand China Logistics in relation to the subscription by Grand China Logistics in cash of 500 million new subscription Shares at the issue price of HK$0.61 per Share.

On 18 March 2012, the Company announced that, among other things, (i) Grand China Logistics, after making instalment payments totalling RMB740.0 million (or approximately HK$938.2 million), had failed to make further instalment payments as and when they fell due under the Shipyard Sale and Purchase Agreement; and (ii) the GCL Subscription Agreement, completion of which was conditional upon the registration of the transfer of the 95% equity interest in TQS being sold by TPFL and TQSL Holding to Grand China Logistics, had lapsed.

The Group had intended to use the net proceeds which it was expecting to receive under the Shipyard Sale and Purchase Agreement and the GCL Subscription Agreement to repay the 2012 Senior Notes, to reduce its other indebtedness, to fund the development of its business as well as to fund its general working capital requirements. As a result of the default in payment by Grand China Logistics under the Shipyard Sale and Purchase Agreement and the lapse of the GCL Subscription Agreement, the Company was unable to repay the 2012 Senior Notes when they became due on 19 March 2012. The repayment default with respect to the 2012 Senior Notes triggered the cross default of a bilateral loan between a member of the Group and a financial institution in the outstanding principal amount of US$1.3 million and an early redemption event in respect of the Listco Preferred Shares and the TGIL Convertible Notes and the TGIL Preferred Shares.

As a result of the events described above, trading in the Shares of the Company was suspended with effect from 19 June 2012.

Delisting procedures and Resumption Proposal

On 22 May 2013, the Listing Division issued a letter to the Company informing the Company that it had been placed in the first stage of delisting pursuant to Practice Note 17 to the Listing Rules and that the Company was required to submit a viable resumption proposal to demonstrate its compliance with Rule 13.24 of the Listing Rules and to publish all outstanding financial results and address any audit qualifications. The first stage of delisting pursuant to Practice Note 17 expired on 21 November 2013.

On 22 November 2013, as the Company had not submitted a resumption proposal before the expiry date of the first stage of delisting, the Listing Division issued a further letter to the Company informing the Company that the Listing Division has decided to place the Company in the second stage of delisting under Practice Note 17 to the Listing Rules and that the Company is required to submit a viable resumption proposal as well as to satisfy the following conditions:

(i) the Company must demonstrate that it has sufficient operations or assets under Rule 13.24 of the Listing Rules;

(ii) the Company must publish all outstanding financial results and address any audit qualifications; and

(iii) the Company must have the winding-up petition against the Company withdrawn or dismissed and the Provisional Liquidators discharged.

The second stage of delisting was to expire on 21 May 2014.

Subsequently on 5 May 2014, the Resumption Proposal, in relation to the restructuring of the Company involving, among others, a restructuring of the debts at the level of the Company by a scheme of arrangement with the Company's creditors, an open offer of new Shares and warrants to be made by the Company to its Shareholders, the subscription by certain investors of new Shares and warrants issued by the Company and the issue of new Shares to the Company's controlling Shareholder to settle certain debts, has been submitted to the Stock Exchange. The updated versions of the Resumption Proposal in response to the comments from the Stock Exchange have been submitted on 10 June 2014, 22 August 2014, 16 September 2014, 10 October 2014, 25 November 2014 and 26 November 2014, respectively.

On 1 December 2014, the Stock Exchange decided to allow the Company to proceed with the Resumption Proposal subject to satisfying the conditions set out below by 31 May 2015:-

1. completion of the transactions under the Resumption Proposal;

2. completion of the internal control review indicating no material deficiency;

3. withdrawal or dismissal of the winding up petition and discharge of the provisional liquidators;

4. inclusion in a circular to the Shareholders:

   (a) a profit forecast for the two years ending 31 December 2015 and 2016 together with reports from the auditors and the financial adviser under Rules 14.62(2) and (3) of the Listing Rules;

   (b) a pro forma balance sheet upon completion of the Resumption Proposal; and

   (c) a statement from the Directors (including the proposed directors) confirming working capital sufficiency for at least 12 months from trading resumption and a comfort letter from the auditors on the Directors' statement.

On 14 May 2015, the Company has made the submission to the Stock Exchange to seek for the approval to extend the deadline to satisfy the above conditions from 31 May 2015 to 31 July 2015. By its letter dated 20 May 2015, the Stock Exchange has agreed to extend the deadline for meeting the above conditions by 31 July 2015.

1.2. Development since the Suspension

Since the Suspension, the Group has been engaging in (a) provision of logistic services (including offshore storage and transportation); and (b) supply of oil products and provision of bunker refueling services. The Group has discontinued its onshore storage and shipbuilding and ship repair businesses. Yet, as reported in the Annual Report 2014, the Group has suspended its business and did not record any revenue during the year ended 31 December 2014.

In addition, since the Suspension, the Group has been involved in several legal proceedings. Details of these legal proceedings are set out in the section headed "A. BACKGROUND – Legal proceedings" in the Letter from the Board contained in this Circular.

Change in control of the Company

On 30 August 2012, Fame Dragon, a company wholly-owned by GZE, entered into four share purchase agreements with companies ultimately beneficially owned by the former chairman of the Group, Mr. Tsoi Tin Chun and/or his spouse, to acquire all of the Shares held by them in the Company, which in aggregate amounted to approximately 45.5% of the then issued share capital of the Company.

None of those share purchase agreements has been completed as the Company is subject to the ongoing winding up proceedings in Bermuda as section 166 of the Companies Act in Bermuda provides that in a winding up by the Bermuda Court, any transfer of Shares in the Company after the commencement of the winding up would be void unless the Bermuda Court otherwise orders.

The seller under each of those agreements has, however, executed irrevocable proxies in favour of Fame Dragon to enable Fame Dragon to exercise the voting rights attached to the Shares being sold under such agreements. GZE, through Fame Dragon, thereby acquired control over approximately 45.5% of the total voting rights in the Company with effect from 30 August 2012.

Fame Dragon is a company incorporated in Hong Kong on 21 January 2010 with limited liability and is principally engaged investing and trading. The ultimate beneficial owner of Fame Dragon is GZE while the shares of Fame Dragon are held by Guangdong Zhenrong (Hong Kong) Company Limited which in turn is wholly-owned by GZE.

GZE is an enterprise incorporated under the laws of the PRC which carries on the business of bulk commodities, energy and resource trading and is principally involved in the trading of petroleum products, non-ferrous metals, coal, chemical products amongst other products or services. GZE is also in the business of onshore and offshore investments in petroleum refinery and warehousing and logistics terminal in relation to petroleum. GZE is owned as to 44.3% by Zhuhai Zhen Rong Company (a PRC state-owned enterprise), as to 35% by Hainan Li Jin Investment Co., Ltd (which is owned by Xia Ying Yan, He Xiao Qun and Liang Wei), as to 15% by Beijing Mo Ya Xun Technology Co Ltd (which is owned by Li Tong Nan and Liu Ge), as to 5.7% by Beijing Ding Da Investment Co. Ltd. (which is owned by Shanghai Yafeng Investment Management Co. Ltd., Gao Yong Qing and Gao Wei).

GZE Interim Financing Arrangements

On 12 March 2013, the Company entered into the First Loan Agreement with Fame Dragon, a wholly-owned subsidiary of GZE, pursuant to which Fame Dragon agreed to provide an interim financing on request of the Company of up to approximately HK$62.24 million at an interest rate of 2% per annum payable on maturity. The First Loan Agreement has been defaulted. As at the Latest Practicable Date, HK$3 million has been drawn down under the First Loan Agreement.

On 13 March 2014, the Company entered into the Second Loan Agreement with Fame Dragon in relation to the provision of an unsecured loan of HK$62.24 million by Fame Dragon to the Company at an interest rate of 2% per annum. As at the Latest Practicable Date, HK$56.18 million has been received under the Second Loan Agreement (as supplemented by the Supplemental Second Loan Agreement).

On 27 February 2015, the Company entered into the 2015 Loan Agreement with Fame Dragon in relation to the provision of an uncommitted term loan of US$10 million by Fame Dragon to the Company at an interest rate of 2% per annum. As at the Latest Practicable Date, approximately US$6 million has been received under the 2015 Loan Agreement. The principal terms of the 2015 Loan Agreement are set out in the section headed "D. INTERIM FINANCING ARRANGEMENTS – The 2015 Loan Agreement" in the Letter from the Board contained in the Circular.

1.3 Financial performance of the Group

Set out below are the highlights of the financial results of the Group for the three years ended 31 December 2014 (the "**Review Period**"):

	Year ended 31 December		
	2014	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Audited)*
CONTINUING OPERATIONS			
REVENUE	–	644,325	1,272,127
Cost of sales	–	(673,394)	(1,395,162)
Gross loss	–	(29,069)	(123,035)
Other revenue	178,353	5,807	61,310
Change in fair values of derivative financial instruments not qualifying as hedges	–	–	157,763
Gain on deconsolidation of subsidiaries	4,134,534	1,236,193	–
General and administrative expenses	(208,607)	(317,279)	(330,369)
Finance costs	(22,585)	(153,318)	(247,846)
Impairment losses on amounts due from deconsolidated subsidiaries	(135,461)	(5,384,435)	–
Loss arising on change in fair value of investment property	(510)	–	–
Loss on derecognition of derivative financial instruments not qualifying as hedges	–	(176,049)	–
Profit/(loss) before tax from continuing operations	3,945,724	(4,818,150)	(482,177)
Income tax credit	113	440	7,854
Profit/(loss) for the year from continuing operations	3,945,837	(4,817,710)	(474,323)
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	(166,463)	247,478	(3,502,821)

	Year ended 31 December		
	2014	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Audited)*
PROFIT/(LOSS) FOR THE YEAR	**3,779,374**	**(4,570,232)**	**(3,977,144)**
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Revaluation gain of prepaid land lease payment upon reclassification to investment property	142,324	–	–
Income tax arising from revaluation gain thereof	(34,219)	–	–
	108,105	–	–
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations	2,767	(13,108)	(30,473)
	2,767	(13,108)	(30,473)
Other comprehensive income/(loss) for the year, net of tax	110,872	(13,108)	(30,473)
Total comprehensive income/(loss) for the year, net of tax	**3,890,246**	**(4,583,340)**	**(4,007,617)**

Based on the audited consolidated profit and loss accounts of the Company contained in the Annual Report 2012, the Annual Report 2013 and the Annual Report 2014, the scale of the Group, in terms of revenue, has been reducing from approximately HK$1,272.1 million in 2012 to approximately HK$644.3 million in 2013, representing a significant decrease of approximately 49.4%. As reported in the Annual Report 2014, the Group did not record any revenue during the year ended 31 December 2014 due to the suspension of business.

The Group's losses worsen from year ended 31 December 2012 to year ended 31 December 2013. The Group recorded net losses of approximately HK$3,977.1 million and approximately HK$4,570.2 million for the years ended 31 December 2012 and 2013 respectively.

Further, the Company reported in its Annual Report 2014 that consolidated profit for the year ended 31 December 2014 amounted to approximately HK$3,779.4 million, which was mainly due to the gain on deconsolidation of subsidiaries and substantially reduced impairment losses on amounts due from deconsolidated subsidiaries for the year under review. During the year ended 31 December 2014, the Group incurred general and administrative expenses and finance costs of approximately HK$231.2 million in aggregate. We note that the general and administrative expenses had substantially decreased to HK$208.6 million for the year ended 31 December 2014 from approximately HK$317.3 million for the year ended 31 December 2013 due to operation in Singapore downsizing in 2013 and recognition of compensation cost in 2013. If the one-off gain on deconsolidation of subsidiaries, the impairment losses on amounts due from deconsolidated subsidiaries and the loss from discontinued operation are removed, the Group had a net loss of approximately HK$53.2 million. Although the adjusted net loss has reduced significantly in 2014, we are not aware of any improvement in the business operations of the Group during the Review Period.

1.4 Financial position of the Group

Set out below is the summary of the audited consolidated assets and liabilities of the Group as at 31 December 2012, 31 December 2013 and 31 December 2014 respectively:

	As at 31 December		
	2014	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Audited)*
TOTAL NON-CURRENT ASSETS	169,361	29,345	29,384
Current assets	173,390	668,633	1,019,764
Assets of a disposal group classified as held for sale	2,861,227	2,956,904	2,423,163
TOTAL CURRENT ASSETS	3,034,617	3,625,537	3,442,927
Current liabilities	3,985,692	8,121,062	3,710,421
Liabilities directly associated with the assets classified as held for sale	2,865,369	3,255,146	2,900,463
TOTAL CURRENT LIABILITIES	6,851,061	11,376,208	6,610,884
NET CURRENT LIABILITIES	(3,816,444)	(7,750,671)	(3,167,957)

	As at 31 December		
	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Audited)*
TOTAL ASSETS LESS CURRENT LIABILITIES	(3,647,083)	(7,721,326)	(3,138,573)
TOTAL NON-CURRENT LIABILITIES	(185,551)	(3,000)	–
NET LIABILITIES	(3,832,634)	(7,724,326)	(3,138,573)
DEFICIENCY IN ASSETS	(3,832,634)	(7,724,326)	(3,138,573)

The Group recorded consolidated net liabilities as at 31 December 2012, 31 December 2013 and 31 December 2014. The Group's net liabilities position was primarily due to the loss incurred by the Group's discontinued operations, being TQS and the loss on early redemption for the TGIL Preferred Shares and the TGIL Convertible Notes, during the year ended 31 December 2012 and the impairment losses on amounts due from deconsolidated subsidiaries during the year ended 31 December 2013. The Group's consolidated net liabilities decreased significantly to approximately HK$3,832.6 million as at 31 December 2014 from approximately HK$7,724.3 million as at 31 December 2013 mainly due to the gain on deconsolidation of subsidiaries. Despite the decrease, this net liabilities position suggests that it is likely that the Shareholders would not receive any return if all the members in the Group were put into liquidation.

We note from the Annual Report 2012, the Annual Report 2013 and the Annual Report 2014 that the Company's auditors have given "disclaimer of opinion" on the respective consolidated financial statements of the Company for the three years ended 31 December 2014. The basis of the "disclaimer of opinion" of the Company's auditors for consolidated financial statements of the Company for the year ended 31 December 2014 was limitation of scope in respect of a number of aspects of the Group's operations, namely:

(a) subsidiaries operated in Singapore;

(b) impairment of other receivables;

(c) assets and liabilities of a disposal group classified as held for sale;

(d) amounts due from/to holding companies of a deconsolidated jointly-controlled entity;

(e) amounts due from/to deconsolidated subsidiaries;

(f) financial guarantee contracts and commitments;

(g) events after the reporting period;

(h) related party transactions; and

(i) opening balances and corresponding figures.

The Company's auditors pointed out that any adjustments or additional disclosures found to be necessary in respect of the above matters, including any related tax impact, will have a consequential significant effect on the financial position of the Company and the Group as at 31 December 2014 and 2013 and the financial performance and cash flows of the Group for the years then ended.

Furthermore, the Company's auditors also expressed material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern on the basis that (1) as at 31 December 2014, the Group's current liabilities exceeded its current assets by approximately HK$3,816.4 million and its total liabilities exceeded its total assets by approximately HK$3,832.6 million; (2) the Group was in default on repayments of various indebtedness amounted to approximately HK$2,042.2 million; and (3) the Group was involved in several legal proceedings. The consolidated financial statements were prepared on the assumption that the Group would continue as a going concern. In the absence of sufficient documentary evidence, the Company's auditors were unable to ascertain whether the assumptions made by the Directors in the preparation of the consolidated financial statements on a going concern basis was fair and reasonable and, accordingly, the Company's auditors were unable to satisfy themselves that the use of the going concern assumption was appropriate.

In view of the limitation of scope of the audit procedures and the doubt of the Company's auditors on the going concern assumption on which the Group's consolidated financial statements were prepared, we have reservation on the performance and financial position as reflected in the consolidated financial statements. In the absence of any restructuring proposal to revive the business of the Group and compromise the liabilities of the Group, we have doubt on the sustainability of the Group in its present establishment.

1.5 Management Services Agreement

GZE continues to assist in resuming the operations of the Group. Through the introduction by GZE and FEG, the Company and TQS have entered into the Management Services Agreement (as supplemented and amended on 30 December 2014 and 28 May 2015) with FELS on 9 April 2014 pursuant to which FELS has conditionally agreed to provide management services for the operations of the Quanzhou Shipyard. The Management Services Agreement has an initial term of 30 years, but it will only come into effect if the various conditions (including completion of the Debt Restructuring and resumption of trading in the Shares having been approved by the Stock Exchange) are satisfied on or before 31 July 2015. Such Management Services Agreement constitutes the major element to resume the operations of the Restructured Group. Pursuant to the Management Services Agreement, scope of management services to be provided by FELS is as follows:-

(a) FELS has agreed that, during the effective term, it will make available employees of FELS and its related corporations to hold various management positions at TQS. These seconded employees from FELS and its related corporations will work together with the Group's existing management and staff of TQS in connection with the operation and development of the Quanzhou Shipyard. They will, among other things, supervise and manage the employees of TQS deployed at the Quanzhou Shipyard; negotiate terms of contracts with customers, suppliers and service providers, contracts relating to the maintenance and improvement of the Quanzhou Shipyard, insurance contracts for the Quanzhou Shipyard and employment contracts with the employees of TQS; and submit to the board of directors of TQS for consideration and approval plans for the maintenance and improvement of the Quanzhou Shipyard with respect to each year after the second year of the terms of the Management Services Agreement; and

(b) TQS has agreed that, during the effective term, it will use the Quanzhou Shipyard to carry on the business of (i) construction, repair, conversion and upgrading of mobile offshore drilling units; (ii) repair, conversion and upgrading of vessels into FPSO, FSO, FSRU and FLNG; and (iii) construction, repair, conversion and upgrading of vessels in accordance with the terms of the Management Services Agreement.

As a further commitment to the development of a long-term relationship, the Company has agreed, as one of the conditions to the Management Services Agreement becoming effective, to issue to FELS (or such other person as it may specify), at its election, either the FELS CBs which are convertible into new Shares or the FELS Warrants which will entitle the holder to subscribe, in cash, for new Shares that in both cases, will represent 9.9% of the total issued share capital of the Company after completion of the Restructuring, provided always that if the Company considers it would no longer satisfy the minimum public shareholding (i.e. 25% public float) requirement under Rule 8.08 of the Listing Rules immediately following an exercise of the subscription rights under any FELS Warrants, such exercise shall be postponed until such time as the Company is satisfied that such exercise will not result in any non-compliance of Rule 8.08 of the Listing Rules. FELS has since elected to be granted the FELS Warrants. Further details of the Management Services Agreement are set out in the section headed "J. UPDATE ON BUSINESS STRATEGIES AND DEVELOPMENT – Management Services Agreement" in the Letter from the Board contained in this Circular.

As set out in the announcement of the Company dated 14 April 2014, in consideration of FELS entering into the Management Services Agreement, GZE entered into the deed of undertaking in favour of FELS pursuant to which GZE shall, after the signing of the deed of undertaking, procure the Company to provide to TQS working capital and, if the Company fails to do so, GZE shall provide (whether directly or indirectly) to TQS working capital. In light of the above, GZE entered into the Working Capital Loan Agreement with TQS on 22 August 2014 (as supplemented and amended by the supplemental agreements on 27 February 2015 and 28 May 2015 respectively) pursuant to which GZE has agreed to provide the loan of not less than RMB60 million to TQS for its working capital. The interest rate of the Working Capital Loan Agreement is calculated based on the PBOC lending rate and accrued from the drawdown date. The principal amount (including the accrued interest) should be repaid three years from the drawdown date. The repayment is subject to the satisfaction of the certain conditions by 31 July 2015 details of which are set out in the section headed "J. UPDATE ON BUSINESS STRATEGIES AND DEVELOPMENT – Working Capital Loan Agreement" in the Letter from the Board contained in the Circular:

We are of the opinion that the terms of the Working Capital Loan Agreement are fair and reasonable and the transactions contemplated under the Working Capital Loan Agreement are in the interest of the Company and the Shareholders as a whole.

2. Shipyard Debt Rescheduling Agreement

As at the date of the Shipyard Debt Rescheduling Agreement, a total of approximately RMB1,526.7 million was owed by TQS to GZE (i.e. the TQS Debt). These amounts are related to loans that were originally made by Shanghai Pudong Development Bank Co. Ltd. Fuzhou Branch to TQS over the period from 2009 to 2011. The bank subsequently assigned its rights and interests with respect to those loans and related security interests to China Cinda Asset Management Co., Ltd., which then further assigned those rights and interests to GZE. TQS has defaulted in its repayment obligations and these amounts have become immediately due and payable.

On 5 May 2014, TQS, a wholly-owned subsidiary of the Company, and GZE entered into the Shipyard Debt Rescheduling Agreement (as amended and supplemented on 22 August 2014, 27 February 2015 and 28 May 2015, respectively) in relation to the rescheduling in the repayment of the TQS Debt, which is secured by the construction in progress, machinery and buildings owned by TQS, among other things, the assets of TQS.

In addition to the Shipyard Debt Rescheduling Agreement, there are two other Debt Rescheduling Agreements which are in relation to two other indebtedness at the level of subsidiaries and details are as follows:

(a) Amounts of approximately RMB43.9 million as at the date of the TPG Debt Rescheduling Agreement owing by Titan Petrochemical (Guangzhou) to GZE

These amounts are related to loans that were originally made by Ping An Bank Co., Ltd. to Titan Petrochemical (Guangzhou) in March 2012, all of which were jointly guaranteed by TQS, Quanzhou Zhenrong Petrochemical Terminal Co. Ltd and Guangzhou Nansha Zhenrong Storage Co. Ltd.. The bank subsequently assigned its rights and interests with respect to those loans and guarantee to GZE on 31 December 2013. Titan Petrochemical (Guangzhou) has defaulted in its repayment obligations and these amounts have jointly become immediately due and payable.

(b) Amount of approximately RMB36.4 million as at the date of the Haixin Debt Rescheduling Agreement owing by Shengsi Haixin to GZE

This amount is related to a loan made available by GZE to Shengsi Haixin pursuant to a loan agreement dated 25 November 2013. Shengsi Haixin has defaulted in its repayment obligations and this amount has become immediately due and payable.

On 5 May 2014, Titan Petrochemical (Guangzhou) and TQS, both are wholly-owned subsidiaries of the Company, and GZE entered into the TPG Debt Rescheduling Agreement (as supplemented and amended by the supplemental agreements dated 22 August 2014, 27 February 2015 and 28 May 2015, respectively) in relation to the rescheduling in the repayment of principal loan amount of approximately RMB43.9 million, and Shengsi Haixin, a wholly-owned subsidiary of the Company, and GZE entered into the Haixin Debt Rescheduling Agreement in relation to the rescheduling in the repayment of principal loan amount of approximately RMB36.4 million.

Rescheduling arrangements:

Pursuant to the Shipyard Debt Rescheduling Agreement, GZE has agreed that the maturity of the TQS Debt shall be extended to the date falling 264 months from the date of the Shipyard Debt Rescheduling Agreement and TQS shall repay the TQS Debt in installments on each repayment date (repay 5% for each 12 months until 264 months from the date of the Shipyard Debt Rescheduling Agreement), the first of which shall fall on 5 May 2017.

Pursuant to the Shipyard Debt Rescheduling Agreement, with effect from the date of the Shipyard Debt Rescheduling Agreement, the rate of interest on the TQS Debt shall be on the base interest rate for the tenure of more than one to three years as of the date of Shipyard Debt Rescheduling Agreement as published by the PBOC.

The security to secure the repayment of the TQS Debt of the Shipyard Debt Rescheduling Agreement shall be construction in progress, machinery and buildings owned by TQS which is the same as those provided under the original loan and pledge agreements between TQS and Shanghai Pudong Development Bank Co. Ltd. Fuzhou Branch.

Reasons for the entering into of the Debt Rescheduling Agreements (including the Shipyard Debt Rescheduling Agreement)

As advised by the Company, to accommodate the finance situation the Group is facing, the Company seeks GZE's support for the rescheduling of the repayment dates of the debts with grace period, which would allow the Company to allocate the funds raised from the Restructuring on its business development.

Furthermore, TQS, an indirect wholly-owned subsidiary of the Company, was principally engaged in shipbuilding and ship repair business at the Quanzhou Shipyard before suspension of its business in around 2013. The Shipyard Debt Rescheduling Agreement, when effective, will release TQS from its liabilities arising from its default on payment under the Shipyard Debt Rescheduling Agreement and enable it to focus its resources on re-building its business.

We note that the Company proposed to settle its indebtedness by way of the Creditors' Scheme and entering into of the Debt Rescheduling Agreements. Based on our discussion with the Company, in view of the audited net liabilities position of the Company as at 31 December 2014, it is unlikely the Group is in a position to repay such loans, at subsidiary level, owed to GZE in near future. These loans, at subsidiary level, are not subject of the Creditors' Scheme, instead, the Company entered into the Debt Rescheduling Agreements to postpone the repayment to later dates.

We note that the interest rate under each of the Debt Rescheduling Agreements is based on the market lending rate as published by the PBOC.

To provide cover for any potentially unidentified liabilities of the Restructured Group, GZE has executed the GZE Excess Liabilities Undertaking on 5 May 2014 (as supplemented and amended by the supplemental agreements on 27 February 2015 and 28 May 2015, respectively) in favour of the Company, pursuant to which GZE has irrevocably and unconditionally agreed and undertaken to the Company that, upon the GZE Excess Liabilities Undertaking becoming effective and if the total indebtedness of the Restructured Group as at 31 January 2015 exceeds the amount set forth in the Indebtedness Statement of the Restructured Group as at 31 January 2015, GZE shall, subject to certain conditions and upon demand by the Company, pay to the Company (or such other person as the Company may specify) the full amount of such excess liabilities. Further details of the GZE Excess Liabilities Undertaking are set out in the section headed "C. REMAINING INDEBTEDNESS ARRANGEMENTS – GZE Excess Liabilities Undertaking" in the Letter from the Board contained in this Circular. We understand from the Board that the GZE Excess Liabilities Undertaking demonstrates GZE's commitment toward the Restructuring of the Group.

After taking into account of the above, we are of the view that the terms of Shipyard Debt Rescheduling Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

3. The Shipyard Termination Agreement

On 5 May 2014, the Company, TPFL and TQSL Holding entered into the Shipyard Termination Agreement (as supplemented and amended by supplemental agreements on 27 February 2015 and 28 May 2015, respectively) with GZE, pursuant to which the parties conditionally agreed that the Shipyard Sale and Purchase Agreement be terminated and with respect to the amount of RMB740.0 million (or approximately HK$938.2 million) that was originally paid by Grand China Logistics to TPFL and TQSL Holding the rights to which were subsequently assigned to GZE, the Company will issue 9,382,164,000 new Shares at the issue price of HK$0.10 to GZE in lieu of repayment of such amount. The Shipyard Termination Agreement will only be effective if the various conditions (including completion of the Debt Restructuring and resumption of trading in the Shares having been unconditionally or conditionally approved by the Stock Exchange) have been satisfied on or before 31 July 2015. Further details of the Shipyard Termination Agreement are set out in section "J. UPDATE ON BUSINESS STRATEGIES AND DEVELOPMENT – Shipyard Termination Agreement" in the Letter from the Board contained in this Circular.

Shipyard Termination Shares

The price of HK$0.10 per Shipyard Termination Share represents:

(i) a discount of approximately 59.35% to the closing price of HK$0.246 per Share on the Last Trading Day;

(ii) a premium of approximately HK$1.09 over the audited net liabilities value per Share of approximately HK$0.99 as at 31 December 2013 based on the audited consolidated financial statements of the Company for the year ended 31 December 2013 and 7,820,554,682 Shares in issue as at the Latest Practicable Date; and

(iii) a premium of approximately HK$0.59 over the audited net liabilities value per Share of approximately HK$0.49 as at 31 December 2014 based on the audited consolidated financial statements of the Company for the year ended 31 December 2014 and 7,820,554,682 Shares in issue as at the Latest Practicable Date.

The Shipyard Termination Shares shall upon allotment and issue, rank *pari passu* in all respects with the then existing Shares in issue on the date of allotment and issue of the Consideration Shares.

Given that the Shares were suspended from trading for a prolonged period of time, we consider that the closing price of the Shares prior to the Suspension of Trading cannot reflect the current financial condition and the valuation of the Company and does not provide a fair basis for the evaluation of the issue price of the Shipyard Termination Shares.

Having considered that (i) the issue price is the same as the Offer Price of the Open Offer in which the Qualifying Shareholders are given an equal opportunity to participate in; (ii) the issue price under the Shipyard Termination Agreement is at premium over the audited net liabilities value per Share as at 31 December 2014; and (iii) the significant consolidated net liabilities position of the Group as at 31 December 2014, we consider the issue price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Reasons for the entering into of the Shipyard Termination Agreement

Pursuant to the Shipyard Sale and Purchase Agreement, the Company had sold its 95% interest in TQS to Grand China Logistics. Grand China Logistics, after making instalment payments totalling RMB740.0 million (or approximately HK$938.2 million), failed to make further instalment payments totalling RMB925.7 million (or approximately HK$1,173.6 million) as and when they fell due under the Shipyard Sale and Purchase Agreement. Subsequently, Grand China Logistics initiated the PRC Proceedings against the Group before its rights and obligations under the Shipyard Sale and Purchase Agreement were transferred to GZE.

We note from the Company's announcement dated 29 October 2013 that the GZE is in possession of the rights and interests in (i) the indebtedness owed by TQS in the principal amount of approximately RMB1,429.5 million (the "**Indebtedness**"); and (ii) the collateral and guarantee granted in respect of the Indebtedness which was originally owed by TQS to, and the securities were granted for the benefit of, the Fuzhou branch of Shanghai Pudong Development Bank Co., Ltd.. Based on our discussion with the management of the Company, we are also given to understand that in the event that no agreement can be reached between the Company and GZE, GZE can take possession of the Quanzhou Shipyard, the Group's only remaining principal asset after the Restructuring, by enforcing the securities under the original loan and pledge agreements between TQS and the Fuzhou branch of Shanghai Pudong Development Bank Co., Ltd..

We understand that the Quanzhou Shipyard is the only remaining principal asset of the Company. Based on our discussion with the management of the Company, the Company takes the view that the business that the Group will resume and develop on the Quanzhou Shipyard, will be vital for future business development for the Group. The Group has also entered into the Management Services Agreement with FELS, a subsidiary of Keppel, so that the Quanzhou Shipyard can tap into the expertise of Keppel. Therefore, the Company must retain its interest in the Quanzhou Shipyard so that the Group can resume its business operation at the Quanzhou Shipyard, and the Company negotiated with GZE for the termination of the Shipyard Sale and Purchase Agreement and retention of the Company's interest in the Quanzhou Shipyard. This arrangement allows the Company to formulate more specific proposals on both the Restructuring and the Resumption.

Further, we have considered the pro forma financial information of the Group which contained in Appendix II to this Circular and noted that the entering into of the Shipyard Termination Agreement will result in an increase of the Group's net asset value per Share through exchanging the Group's liability of approximately HK$943.3 million for the Shipyard Termination Shares.

After taking into account of the above, we are of the view that the terms of Shipyard Termination Agreement is fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Further, during our review of the terms of the Shipyard Debt Rescheduling Agreement, the Shipyard Termination Agreement and the Wahen Investments Subscription Agreement, we noted that the Company had considered similar arrangements with other parties, including its previous arrangements with CGL Resources and New Berkeley. Based on our discussion with the management of the Company, we are given to understand that the Company chose to proceed with current arrangements with the respective connected persons (i.e. GZE and Wahen Investments) as the respective connected persons were, among the proposed arrangements then made available to the Group, able to demonstrate their capability of providing continuous financial support to the Group during the period which the Group experienced severe financial difficulties and the trading of the Shares were suspended. Further, the respective connected persons will be able to further improve the existing business operation of the Restructured Group by taking advantage of their business network.

After taking into account of the above, together with (i) the background of the respective connected persons (i.e. GZE and Wahen Investments); and (ii) the terms of the Shipyard Debt Rescheduling Agreement, the Shipyard Termination Agreement and the Wahen Investments Subscription Agreement, we are of the view that the above arrangements are in the interests of the Company and the Shareholders as a whole.

4. The Open Offer

The Board proposes to put forward a proposal to raise not less than approximately HK$391.0 million and not more than approximately HK$392.1 million (before expenses) by way of the Open Offer of new Shares on the basis of one Offer Share for every two existing Shares held by the Qualifying Shareholders on the Record Date with issuance of the Warrants on the same terms as those being offered to the Subscribers for no additional consideration to the Qualifying Shareholders who take up the Offer Shares on the basis of one Warrant for every unit of Offer Share taken up, provided always that if the Company considers that it would no longer satisfy the minimum public shareholding (i.e. 25% public float) requirement under Rule 8.08 of the Listing Rules immediately following an exercise of the subscription right under any Warrants, such exercise shall be postponed until such time as the Company is satisfied that such exercise will not result in any non-

compliance of Rule 8.08 of the Listing Rules. On 5 May 2014, the Company and Fame Dragon entered into the Underwriting Agreement (as supplemented and amended by supplemental agreements on 27 February 2015 and 28 May 2015, respectively) pursuant to which the Underwriter conditionally agreed to fully underwrite the proposed Open Offer. Condensed particulars on the proposed Open Offer are set out as follows:

Issue statistics of the Offer Shares

Basis of the Open Offer	One Offer Share for every two existing Shares held on the Record Date with the issuance of the Warrants on the same terms as those being offered to the Subscribers for no additional consideration to the Qualifying Shareholders who take up the Offer Shares on the basis of one Warrant for every unit of Offer Share taken up
Subscription price	HK$0.1 per Share
Number of Shares in issue as at the Latest Practicable Date	7,820,554,682 Shares
Number of Offer Shares	Not less than 3,910,277,341 Offer Shares and not more than 3,920,597,341 Offer Shares
Principal amount raised from the Open Offer	Not less than approximately HK$391.0 million but not more than approximately HK$392.1 million (before expenses)
Underwriting arrangement	Fully underwritten by the Underwriter whose ordinary business does not include underwriting

Offer Price

The offer price of HK$0.10 per Offer Share represents:

(i) a discount of approximately 59.35% to the closing price of HK$0.246 per Share on the Last Trading Day;

(ii) a premium of approximately HK$1.09 over the audited net liabilities value per Share of approximately HK$0.99 as at 31 December 2013 based on the audited consolidated financial statements of the Company for the year ended 31 December 2013 and 7,820,554,682 Shares in issue as at the Latest Practicable Date; and

(iii) a premium of approximately HK$0.59 over the audited net liabilities value per Share of approximately HK$0.49 as at 31 December 2014 based on the audited consolidated financial statements of the Company for the year ended 31 December 2014 and 7,820,554,682 Shares in issue as at the Latest Practicable Date.

Given that the Shares were suspended from trading for a prolonged period of time, we consider that the closing price of the Shares prior to the Suspension of Trading cannot reflect the current financial condition and the valuation of the Company and does not provide a fair basis for the evaluation of the Offer Price.

Conditions of the Open Offer

The consummation of the Open Offer is conditional upon (i) the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms and conditions of the Underwriting Agreement. The conditions of the Underwriting Agreement are set out in the section headed "E. PROPOSED OPEN OFFER OF SHARES – Underwriting arrangement – Underwriting Agreement – Conditions of the Underwriting Agreement" in the Letter from the Board; and (ii) the approval by the Shareholders at the SGM with GZE and its associates (as such term is defined in the Listing Rules) abstain from voting in favour of the relevant resolution.

Application for excess Offer Shares

It is expected that any Offer Shares (i) not validly applied for by any Qualifying Shareholders under the Open Offer; (ii) to which the Non-Qualifying Shareholders would otherwise have been entitled; and (iii) created by aggregating any fractional assured entitlements will be made available for excess and equitable applications by the Qualifying Shareholders and such Offer Shares will be allocated on a fair and equitable basis.

Other details of the Open Offer

For further information of the Open Offer, please refer to the relevant sections in the Letter from the Board.

Principal terms of the Warrants

Exercise price:	HK$0.12 per Warrant Share
Adjustment to the exercise price:	The exercise price of the Warrants is subject to adjustment in the event of, among others: (a) consolidation, subdivision or reclassification of Shares;

	(b) capitalisation of profits or reserves; (c) dividend or distributions; (d) rights issue of other securities; and (e) other offers to Shareholders, provided that no adjustment will be made to the exercise price when Shares or other securities (including rights or options) are issued, offered or granted (i) to employees (including the Directors) of the Company or any subsidiary of the Company pursuant to any employee share scheme (and which employee share scheme is in compliance with the Listing Rules or, if applicable, those of an alternative stock exchange on which the Shares are listed); (ii) pursuant to the Debt Restructuring and the transactions contemplated under the Resumption Proposal including but not limited to, the Open Offer, the Share Subscriptions, the Shipyard Termination Agreement and the Assumption Agreement; (iii) pursuant to the conversion of the Listco Preferred Shares; or (iv) pursuant to the exercise of any Warrants.
Exercise period:	Not earlier than the commencement of the third year but not later than the end of the third year after the issue of the Warrants (the "**Exercise Period**")
Application for listing:	No listing of the Warrants will be sought on the Stock Exchange or other stock exchange
Transferability:	The Warrants to be issued to the Qualifying Shareholders under the Open Offer are not transferable, except for transfer or transmission in the circumstances set out in sub-paragraphs (a) and (b) below:

(a) In cases where the holder of the Warrants acts as a nominee of its beneficial owner(s) in holding interest in the Warrants, the subscription rights shall be allowed for a one-off transfer from such nominee to its beneficial owner(s) by instrument of transfer (in any usual or common form or such other form as may be approved by the Directors) during the period from the date of issue to the last day of the Exercise Period.

(b) If a holder of the Warrants dies, the survivor or survivors where the deceased was a joint holder, and his legal representatives where he was a sole or only surviving holder, will be the only person(s) recognised by the Company as having any title to interest of the holder of the Warrants in the Warrants. Subject to any applicable laws or regulations, any person becoming entitled to the Warrants in consequence of the death of a holder of the Warrants may, upon such evidence as to his title being produced as may be required by the Board, elect either to become the holder of the Warrants or to nominate his nominee or the estate executor to be registered as the transferee thereof. If he elects to become the holder he shall notify the Company in writing either at the principal place of business of the Company in Hong Kong to that effect. If he elects to have the relevant nominee registered he shall execute an instrument of transfer (in any usual or common form or such other form as may be approved by the Directors) of the Warrants in favour of that person during the period from the date of issue to the last day of the Exercise Period.

The Warrants to be issued to the Subscribers pursuant to the Share Subscriptions in any events are not transferable.

Rights to vote or dividend: Holders of the Warrants will not have the right to vote or to consent or to receive notice as Shareholders in respect of any meeting of Shareholders, or to receive dividends

Public float restriction:	If the Company considers that it would no longer satisfy the minimum public shareholding (i.e. 25% public float) requirement under Rule 8.08 of the Listing Rules immediately following an exercise of the subscription right under any Warrants, such exercise shall be postponed until such time as the Company is satisfied that such exercise will not result in any non-compliance of Rule 8.08 of the Listing Rules

The Underwriting Agreement

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Open Offer subject to the terms and conditions set out in the Underwriting Agreement and, in particular, the fulfilment of the conditions contained therein. Fame Dragon, which holds the voting rights of a total of 3,556,353,661 Shares (representing approximately 45.5% of the total Shares in issue of the Company as at the Latest Practicable Date) and through DBIL (a wholly-owned subsidiary of GZE) holding the benefits of all interests arising under or in connection to the Listco Preferred Shares, is an investment holding company whose ordinary business does not include underwriting.

The Directors considered as the Underwriter will not be charging any underwriting fee or commission, such underwriting arrangement under the Underwriting Agreement would be beneficial to the Company and would allow the Company to reduce the costs and expenses in conducting the Open Offer which the Company would otherwise have to incur if a registered brokerage firm or an investment bank was to be appointed as the underwriter.

Reasons for the Open Offer

Given the financial situation of the Group and having considered other fund raising alternatives for the Group, such as placing of new Shares or other convertible bonds, and the benefits and cost of each of the alternatives, the Board considered that the Open Offer would be in the interests of the Company and the Shareholders as a whole as it would offer all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company at the same price and would enable the Qualifying Shareholders to continue to participate in the future development of the Company should they wish to do so.

In view of (i) the prolonged suspension of trading in the Shares; (ii) the significant consolidated net liabilities position of the Group as at 31 December 2014; (iii) the Group's continuous loss-making history in recent years; (iv) each Qualifying Shareholder will be offered an equal opportunity to participate in the Company's future development by subscribing for her assured entitlements under the Open Offer; (v) each Qualifying Shareholder will have the additional opportunity to apply for any

Offer Shares in excess of their respective assured entitlements; (vi) the Offer Price of the Offer Shares is the same as the price of the Shares that to be issued under the Shipyard Termination Agreement, the Assumption Agreement and the Subscription Agreements; (vii) the exercise price of the Warrants is the same as that of the Warrants to be issued under the Share Subscription Agreements; and (viii) funding requirement of the Group, we are of the view that the Open Offer, including the Offer Price and the issue of the Warrants, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

As to the issuance of the Warrants as part of the Open Offer, in view of (i) the issuance of the Warrant Shares to the existing Shareholders upon the exercise of the Warrants which were issued under the Open Offer will reduce the dilution effect of the Debt Restructuring, including, among others, the issue of the Shipyard Termination Shares and the conversion of the Listco Preferred Shares, on the existing Shareholders if the existing Shareholder take up their entitlement under the Open Offer; (ii) the issue of the Warrants is inter-conditional with the Open Offer and the completion of the Open Offer is part of the Restructuring; (iii) the exercise price of the Warrants is the same as those to be issued under the Share Subscription Agreements; and (iv) the Shares will be issued to all existing Shareholders on the same basis upon the conversion of the Warrants, we consider the issue of the Warrants as part of the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. The Share Subscription Agreements

Pursuant to the respective Share Subscription Agreements, Victory Stand and Wahen Investments have conditionally agreed to subscribe for 1,300 million and 1,800 million new Shares at the subscription price of HK$0.10 per Subscription Share and, upon completion of the Share Subscription Agreements, Victory Stand and Wahen Investments will be granted 1,300 million and 1,800 million Warrants at no consideration, respectively.

Subscription Shares

The subscription price of HK$0.10 per Subscription Share represents:

(i) a discount of approximately 59.35% to the closing price of HK$0.246 per Share on the Last Trading Day;

(ii) a premium of approximately HK$1.09 over the audited net liabilities value per Share of approximately HK$0.99 as at 31 December 2013 based on the audited consolidated financial statements of the Company for the year ended 31 December 2013 and 7,820,554,682 Shares in issue as at the Latest Practicable Date; and

(iii) a premium of approximately HK$0.59 over the audited net liabilities value per Share of approximately HK$0.49 as at 31 December 2014 based on the audited consolidated financial statements of the Company for the year ended 31 December 2014 and 7,820,554,682 Shares in issue as at the Latest Practicable Date.

Given that the Shares were suspended from trading for a prolonged period of time, we consider that the closing price of the Shares prior to the Suspension of Trading cannot reflect the current financial condition and the valuation of the Company and does not provide a fair basis for the evaluation of the subscription price of the Subscription Shares.

Having considered that (i) the prolonged suspension of trading in the Shares; (ii) the subscription price is the same as the offer price of the Open Offer in which the Qualifying Shareholders are given an equal opportunity to participate in; (iii) the significant consolidated net liabilities position of the Group as at 31 December 2014; (iv) the subscription price under the Share Subscription Agreements is at premium over the unaudited net liabilities value per Share; and (v) funding requirement of the Group, we consider the subscription price is fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Warrant Shares

The Warrants confer the rights to the Subscribers to subscribe for up to 1,300 million and 1,800 million Warrant Shares at the exercise price of HK$0.12 per Warrant Share during a period not earlier than the commencement of the third year but not later than the end of the third year after the issue of the Warrants (i.e. the Exercise Period), which is the same as those Warrants to be issued under the Open Offer on and subject to the terms of the Warrant Instrument. The exercise price of HK$0.12 per Warrant Share represents:

(i) a premium of 20% to the subscription price of HK$0.10 per Subscription Share;

(ii) a discount of approximately 51.22% to the closing price of HK$0.246 per Share on the Last Trading Day; and

(iii) a premium of approximately HK$1.11 over the audited net liabilities value per Share of approximately HK$0.99 as at 31 December 2013 based on the audited consolidated financial statements of the Company for the year ended 31 December 2013 and 7,820,554,682 Shares in issue as at the Latest Practicable Date; and

(iv) a premium of approximately HK$0.61 over the audited net liabilities value per Share of approximately HK$0.49 as at 31 December 2014 based on the audited consolidated financial statements of the Company for the year ended 31 December 2014 and 7,820,554,682 Shares in issue as at the Latest Practicable Date.

Given that the Shares were suspended from trading for a prolonged period of time, we consider that the closing price of the Shares prior to the Suspension cannot reflect the current financial condition and the valuation of the Company and does not provide a fair basis for the evaluation of the exercise price of the Warrants.

Having considered that (i) the prolonged suspension of trading in the Shares; (ii) the significant consolidated net liabilities position of the Group as at 31 December 2014; (iii) the Group's continuous loss-making history in recent years; (iv) the exercise price of the Warrants is higher than the Offer Price of the Open Offer in which the Qualifying Shareholders are given an equal opportunity to participate in and the subscription price under the Share Subscription Agreements; (v) the exercise price of the Warrants is the same as that of the Warrants issued as part of the Open Offer which the Qualifying Shareholders are able to participate; (vi) the exercise price of the Warrants is at premium over the audited net liabilities value per Share; and (vii) funding requirement of the Group, we consider the exercise price is fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Reasons for the Share Subscriptions

As stated in the Letter from the Board, the Share Subscriptions, if proceed, will provide funding for the Debt Restructuring and the repayment of the outstanding indebtedness of the Group (other than those that will form part of the claims to be restructured under the Debt Restructuring), with the additional proceeds of HK$372 million (before expenses) from the exercise of the subscription rights attaching to the Warrants, if it occurs, to be utilised by the Company as general working capital.

Based on our discussion with the Company, we are given to understand that the granting of the Warrants to the Subscribers is to give sufficient incentive to the Subscribers to enter into the respective Share Subscription Agreements with the Company so that the Company can raise a sum of HK$310 million (before expenses) by issuing the Subscription Shares. The Board is of the view that in view of the net liabilities position of the Group as shown in the consolidated financial statements of the Company as at 31 December 2014, it is unlikely that the Company can raise such sum without any incentive to subscribers. The Warrants also provide the Company a further means to raise an additional HK$372 million (before expenses) at the option of the Subscribers.

Pursuant to the Share Subscription Agreements, the Subscription Shares and the Warrant Shares shall upon allotment and issue, rank *pari passu* in all respects with the then existing Shares in issue on the date of allotment and issue of the Subscription Shares or the Warrant Shares (as the case may be).

In view of (i) the prolonged suspension of trading in the Shares; (ii) the significant consolidated net liabilities position of the Group as at 31 December 2014; (iii) the Group's continuous loss-making history; (iv) the exercise price of the Warrants to be issued to the Subscribers under the Share Subscription Agreements are the same as that of the Warrants issued as part of the Open Offer which the Qualifying Shareholders are able to participate; and (v) funding requirement of the Group, we are of the view that the terms of the Share Subscription Agreements, including the granting of the Warrants, are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

6. The Assumption Agreement

On 20 August 2014, Fame Dragon, the Company and TQS entered into the Assumption Agreement (as supplemented and amended on 15 September 2014, 27 February 2015 and 28 May 2015, respectively) in respect of the indebtedness arising from certain accounts payables and other payables of TQS, pursuant to which, Fame Dragon agrees to assume certain debts payable by TQS in consideration for the Company agreeing to allot and issue new Shares, subject to the verification by auditors appointed by Fame Dragon and the compliance with any applicable requirements under the Listing Rules, at the issue price of HK$0.1 per Share to the extent that immediately after the issue of any such Assumption Consideration Shares from time to time at least 25% of the Company's total issued share capital shall be held by the members of the public, provided that no further Assumption Consideration Shares shall be issued after the 5th anniversary of the date of the resumption of trading in the Shares and Fame Dragon will assume liabilities up to a maximum amount of RMB282,056,122.05 (equivalent to HK$359,542,041.5, based on the exchange rate of RMB1.00 to HK$1.274718091). Accordingly, the number of Assumption Consideration Shares shall not exceed 2,282,024,653 Shares upon resumption of trading of the Shares on the Stock Exchange based on the existing issued share capital of the Company and shall not exceed 3,595,420,415 Shares throughout five years from the date of the resumption of trading in Shares.

The completion of the Assumption Agreement is conditional upon:

(i) the Stock Exchange having granted the listing of, and permission to deal in, the Assumption Consideration Shares;

(ii) the Debt Restructuring having become effective in accordance with its terms;

(iii) the Stock Exchange having granted the approval-in-principle for the resumption of trading in ordinary shares of the Company;

(iv) all authorizations necessary for the implementation of the transactions contemplated by the Assumption Agreement having been obtained or compiled with including any applicable requirements under the Listing Rules;

(v) each condition precedent (or such other condition) required to be satisfied pursuant to the terms of each other documents in relation to the Creditors' Scheme and the Resumption Proposal (other than that all the conditions precedent of the Assumption Agreement having been fulfilled or waived) having been satisfied or waived for the purpose of making each documents in relation to the Creditors' Scheme and the Resumption Proposal effective in accordance with its terms;

(vi) the Company having obtained the approval of the Independent Shareholders in general meeting in respect of the Whitewash Waiver; and

(vii) the grant of the Whitewash Waiver by the Executive.

None of the above conditions precedent may be waived. In the event that the conditions precedent above are not fulfilled on or before 31 July 2015 (or such later date as the parties hereto may agree in writing), any parties to the Assumption Agreement may terminate the Assumption Agreement by giving each other party not less than 30 days' written notice and, upon termination of the Assumption Agreement, all the obligations of the parties shall immediately cease and none of the parties shall have any claims against any other party in respect of any matter arising out of or in connection with the Assumption Agreement, save for any claims arising out of any antecedent breaches thereof.

As at the Latest Practicable Date, conditions (ii) and (iii) set out above have been satisfied.

Issue Price

The price of HK$0.10 per Assumption Consideration Share represents:

(i) a discount of approximately 59.35% to the closing price of HK$0.246 per Share on the Last Trading Day;

(ii) a premium of approximately HK$1.09 over the audited net liabilities value per Share of approximately HK$0.99 as at 31 December 2013 based on the audited consolidated financial statements of the Company for the year ended 31 December 2013 and 7,820,554,682 Shares in issue as at the Latest Practicable Date; and

(iii) a premium of approximately HK$0.59 over the audited net liabilities value per Share of approximately HK$0.49 as at 31 December 2014 based on the audited consolidated financial statements of the Company for the year ended 31 December 2014 and 7,820,554,682 Shares in issue as at the Latest Practicable Date.

The Assumption Consideration Shares shall upon allotment and issue, rank *pari passu* in all respects with the then existing Shares in issue on the date of allotment and issue of the Assumption Consideration Shares.

Given that the Shares were suspended from trading for a prolonged period of time, we consider that the closing price of the Shares prior to the Suspension cannot reflect the current financial condition and the valuation of the Company and does not provide a fair basis for the evaluation of the issue price of the Assumption Consideration Shares.

Having considered that (i) the issue price is the same as the Offer Price of the Open Offer in which the Qualifying Shareholders are given an equal opportunity to participate in; (ii) the issue price under the Assumption Agreement is at premium over the audited net liabilities value per Share; and (iii) the significant consolidated net liabilities position of the Group as at 31 December 2014, we consider the issue price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Based on our discussion with the management of the Company, we are given to understand that the Company had considered other alternative settlement arrangements, including settling TQS's other liabilities through the allotment of new Shares. Yet, after taking account of (i) the possible regulatory restriction that may restrict the creditors in the PRC from accepting the Shares as settlement consideration; (ii) the number of creditors that made agreeing one settlement arrangement not viable; and (iii) the potential dilution effect to the shareholding of the existing Shareholders, the Company proceeds with the current arrangement.

After taking into account of the above, together with the terms of the Assumption Agreement, we are of the view that the current arrangement is in the interests of the Company and the Shareholders as a whole.

7. The Listco Preferred Shares Modification Deed

The Company and DBIL entered into the Listco Preferred Shares Modification Deed in relation to, among others, the extension of the redemption period of the Listco Preferred Shares and the restriction of the conversion of the Listco Preferred Shares.

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

Having considered that (i) the extension of the redemption period of the Listco Preferred Shares improves the Group's liquidity flexibility without paying any consideration; (ii) the Group will recognize an accounting gain of, according to the pro forma financial information of the Group contained in the Appendix II of the Circular which has been reviewed by the reporting accountant of the Company, HK$60.8 million from the entering into of the Listco Preferred Shares Modification Deed, being the difference between the fair value of the liability component of the Listco Preferred Shares and the total settlement of the original Listco Preferred Shares; and (iii) the significant consolidated net liabilities position of the Group as at 31 December 2014, we are of the view that the terms of the Listco Preferred Shares Modification Deed are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

8. Business operations of the Restructured Group

As stated in the Letter from the Board, after completion of the Restructuring, the Group will use the Quanzhou Shipyard as base for re-building its business. It will re-activate the shipbuilding and ship repair business it carried on before the Suspension and at the same time, expand into the business of offshore and marine engineering services, which primarily involves the construction, repair, conversion and upgrading of oil rigs used in connection with offshore oil and gas drilling operations as well as support vessels used in those operations.

The Directors believe that this is an opportune time for the Group to expand into the offshore and marine engineering business as this sector has undergone rapid growth in recent years as a result of favourable market conditions and the Directors believe that there remains significant potential for further growth in this sector in the near term. The Group also considers that such expansion will be a natural extension of its shipbuilding and ship repair business as it will, to a significant extent, be able to utilise its existing production facilities at the Quanzhou Shipyard also to undertake the construction, repair, conversion and upgrading of oil rigs and support vessels, subject to certain modification and upgrading works, which the Group is already undertaking. These works primarily involve adjusting the lay-out and increasing the load capacity of certain of the Group's production facilities and equipment, which the Group currently expects to be able to complete in the fourth quarter of 2015.

To help strengthen the Group's position in connection with its expansion into the offshore and marine engineering sector, the Group has entered in a long-term cooperation arrangement with FELS, an independent third party, pursuant to the Management Services Agreement signed on 9 April 2014. FELS is a subsidiary of Keppel, which is a global leader in the design, construction and repair of offshore rigs. The Directors consider that the Management Services Agreement is an invaluable opportunity for the Group to develop a long-term cooperation relationship with the Keppel Group, which the Directors believe will be mutually beneficial to both the Group and the Keppel Group as it helps provide the Group with a strong foundation to re-build its business after completion of the Restructuring and also allows the Keppel Group to establish a strong foothold for expanding its business in the PRC market.

As a further commitment to the development of a long-term relationship, the Company has agreed, upon the Management Services Agreement becoming effective, to issue to FELS (or such other person as it may specify), at its election, either the FELS CBs which are convertible into Shares or the FELS Warrants which will entitle the holder to subscribe, in cash, for Shares that in both cases, will represent 9.9% of the total issued share capital of the Company after completion of the Restructuring. Further details of the Management Services Agreement are set out in the section headed "J.UPDATE ON BUSINESS STRATEGIES AND DEVELOPMENT – Management Services Agreement" in the Letter from the Board contained in this Circular.

To demonstrate their commitment to the Group and to provide their full support to enable the Group to start re-building its business, GZE entered into the GZE Purchase Order MOU with the Company, while FTSD (a subsidiary of FEG) signed the FTSD Purchase Order Framework Agreement with the Company, in both cases, on 5 May 2014.

Under the FTSD Purchase Order Framework Agreement, which is legally binding, FTSD has agreed that subject to the framework agreement becoming effective upon the satisfaction of the following conditions: (a) the Company having complied with all applicable requirements under the Listing Rules and those requirements imposed under applicable law and regulations or by the Stock Exchange, the SFC, the Bermuda Court and/or any other governmental or regulatory authority of competent jurisdiction in relation

to the FTSD Purchase Order Framework Agreement and the transactions contemplated hereunder; (b) the Debt Restructuring having become effective; (c) trading in the Shares having been resumed on the Stock Exchange; and (d) the Management Services Agreement having become effective, in each case on or before 31 July 2015 (or such later date as the parties may agree in writing), it will, and will procure purchase orders to be placed with TQS for the construction of one semi-submersible and two jackups within one year from the effective date of the FTSD Purchase Order Framework Agreement, at prices to be determined by arm's length negotiations based on prevailing market price. As at the Latest Practicable Date, the condition (b) set out above has been satisfied.

Under the GZE Purchase Order MOU, which is non-legally binding, GZE has agreed in principle that subject to (a) the Debt Restructuring having become effective; (b) resumption of trading in the Shares having been unconditionally or conditionally approved by the Stock Exchange; and (c) each condition precedent (or such other condition) required to be satisfied pursuant to the terms of each other document in relation to the Creditors' Scheme and the Resumption Proposal (other than that all the conditions precedent of the GZE Purchase Order MOU having been fulfilled or waived) having been satisfied or waived for the purpose of making each document in relation to the Creditors' Scheme and the Resumption Proposal effective in accordance with its terms; (d) the Company having obtained the approval of the Independent Shareholders in general meeting in respect of the Whitewash Waiver; (e) the grant of the Whitewash Waiver by the Executive; and (f) the Quanzhou Shipyard being reasonably suitable for carrying on the business of the construction, repair, conversion and upgrading of mobile offshore drilling units and FPSO, FSO, FSRU and FLNG units, in each case on or before 31 July 2015 (or such later date as the parties may agree in writing), it will or will procure purchase orders to be placed with TQS for the construction of two semi-submersibles, four jack ups and two FSRU at prices to be determined by arm's length negotiations based on prevailing market price.

Further details of the GZE Purchase Order MOU and FTSD Purchase Order Framework Agreement are set out in the section headed "J. UPDATE ON BUSINESS STRATEGIES AND DEVELOPMENT – GZE Purchase Order MOU and FTSD Purchase Order Framework Agreement" in the Letter from the Board contained in this Circular.

9. Financial effects of the transactions contemplated under the Resumption Proposal

In the absence of unforeseeable events and based on the information available to the Company, as stated in the Appendix II to this circular, the unaudited pro forma net assets of the Restructured Group will be approximately HK$342.2 million following the implementation of the Restructuring. This represents a significant improvement from the consolidated net liabilities position of the Company of approximately HK$3,832.6 million as at 31 December 2014.

10. Dilution to the shareholding of the existing Shareholders

As illustrated in the paragraph headed "H. SHAREHOLDING STRUCTURE" set out in the Letter from the Board, upon the completion of the Open Offer, the Share Subscriptions, the debt settlement, the conversion of the Listco Preferred Shares, the exercise of the Warrants by the Subscribers and the exercise of option by Keppel, we noted that the shareholding of the independent Shareholders would reduce from approximately 40.7% as at the Latest Practicable Date to:

(i) approximately 15.7% assuming all of the existing Shareholders take up their respective entitlements to the Offer Shares under the Open Offer; and

(ii) approximately 7.9% assuming none of the existing Shareholders take up their respective entitlements to the Offer Shares under the Open Offer.

We noted the aforementioned potential dilution to the shareholding of the independent Shareholders. However, we consider such potential dilution acceptable on the bases that:

(i) the Company is under prolonged suspension of trading in the Shares since 19 June 2012 and the Resumption is expected if, among others, the Restructuring can be completed;

(ii) the Group, which recorded audited net liabilities as at 31 December 2014, is unlikely to have the ability to repay its indebtedness with internal resources in the absence of the proceeds from the Open Offer and the Share Subscriptions and might eventually be wound up. In such case Shareholders will be unlikely to receive any return from their investments in the Company; and

(iii) following completion of the Open Offer, the Share Subscriptions, the Debt Restructuring, the Shipyard Settlement and the exercise of option by Keppel, and based on the unaudited pro forma statement of assets and liabilities of the Group (details of which are set out in Appendix II of the Circular), the Group would be returned into a net asset position.

Further, in order to assess the fairness and reasonableness of the dilution effect to the shareholding of the existing Shareholders, we have identified companies which had been placed under the delisting procedures by the Stock Exchange pursuant to Practice Note 17 with resumption plans involving the offer of shares by way of open offers to its existing shareholders, the subscription of shares and/or convertible notes (assuming full conversion thereof) which was approved by the Stock Exchange (subject to resumption conditions) during the three years preceding the Latest Practicable Date. Based on the information publicly available on the website of the Stock Exchange and on our best effort basis, we have identified three companies based on the selection criteria as set out above. We have also assumed each of the open offer shares were taken up by their respective existing shareholders of the comparables in full. Details of the comparables are summarised in the following table:-

Comparable companies	**Date of announcement**	**Potential maximum dilution to the existing Shareholders** *(Approximate)*
First Mobile Group Holdings Limited (HKEx stock code: 865)	22 August 2014	90.00%
Proview International Holdings Limited (HKEx stock code: 334)	30 May 2014	86.60%
Mitsumaru East Kit (Holdings) Limited (HKEx stock code: 2358)	28 August 2013	82.51%
	Maximum	90.00%
	Minimum	82.51%
	Mean	86.37%
The Company		61.35%

As shown above, we noted that the dilution effect to the existing Shareholders as shown by the comparable companies ranges from approximately 82.51% to approximately 90.00%, with a mean of approximately 86.37%. It is noted that the dilution effect to the existing Shareholders, upon completion of the Restructuring, of approximately 61.35% is less than the dilution effect of all of the comparable companies. As such, we are of the view that the dilution effect on the shareholding of the existing Shareholders is acceptable so far as the Independent Shareholders are concerned.

11. Whitewash Waiver

GZE and Fame Dragon and parties acting in concert with it are interested in 3,556,353,661 Shares, representing approximately 45.5% of the issued share capital of the Company as at the Latest Practicable Date. In the event that (i) Fame Dragon, being the Underwriter of the Open Offer, is called upon to subscribe or procure subscription for all or any part of the Offer Shares pursuant to its underwriting obligations under the Underwriting Agreement (assuming none of the Qualifying Shareholders accept their respective provisional allotment of the Offer Shares);(ii) the Company will issue 9,382,164,000 new Shares to GZE pursuant to the Shipyard Termination Agreement and (iii) the Company will issue the Assumption Consideration Shares in the maximum number of the Shares of 2,282,024,653 Shares to Fame Dragon upon resumption of trading of the Shares on the Stock Exchange pursuant to the Assumption Agreement; the aggregate shareholding of GZE and the parties acting in concert with it will be increased from 45.5% of the voting rights in the total Shares in issue as at the Latest Practicable Date to a maximum of 67.3% of the voting rights in the total Shares in issue as enlarged by the the Open Offer, the Share Subscriptions, the Debt Restructuring, the issue of Shipyard Termination Shares under the Shipyard Termination Agreement and issue of 2,282,024,653 Assumption Consideration Shares under the Assumption Agreement.

Under Rule 26 of the Takeovers Code, the acquisition of voting rights and Shares by GZE and the parties acting in concert with it under the above circumstances will result in GZE and the parties acting in concert with it being obliged to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by GZE and the parties acting in concert with it. An application has been made by GZE to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated it will grant the Whitewash Waiver, which if granted, will be subject to, among other thing, the approval by the Independent Shareholders in the SGM by way of poll.

It is stated in the Letter from the Board that the granting by the Executive of the Whitewash Waiver is one of the conditions precedent to completion of the Open Offer and cannot be waived and that if the Whitewash Waiver is not granted, the Underwriting Agreement will not become unconditional and the Open Offer will not proceed.

The implementation of, among other things, the Open Offer, the Shipyard Termination Agreement, the Assumption Agreement, and the Share Subscription Agreements is crucial for the Company and the Shareholders as a whole. We understand that all these transactions are inter-conditional and if any of these transactions is not approved and does not become unconditional, the Restructuring of the Group will not be implemented. As mentioned above, the net liabilities position of the Company suggests that it is likely that the Shareholders would not receive any return if all the members in the Group were put into liquidation.

The issue prices of the Offer Shares under the Open Offer, the Consideration Shares under the Shipyard Termination Agreement and the Assumption Consideration Shares under the Assumption Agreement are all the same at HK$0.10 per Share. As discussed above, we are of the opinion that the issue price is fair and reasonable so far as the independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

On such basis and in particular, the granting of the Whitewash Waiver is one of the non-waivable conditions precedent, and is a common feature in similar rescue proposals for companies which are in grave financial difficulties and subsequently revived as a result of injection of funds or assets by new investors, we consider the granting of the Whitewash Waiver is fair and reasonable.

12. Special Deal

The Company proposes to restructure its debts by implementing the Creditors' Scheme in Bermuda and seeking suitable cross-border recognition of that Creditors' Scheme in Hong Kong and the United States under principles of international comity where considered necessary following receipt of legal advice.

Pursuant to the Creditors' Scheme, the Existing Notes Creditors which lodged a valid account holder letter with the Information Agent on or before the bar date shall receive scheme consideration in the form of either:

(i) HK$0.10 in cash and HK$0.30 in new Shares to be issued by the Company at the price of HK$0.10 per share ("Equity Option"); or

(ii) HK$0.20 in cash and HK$0.10 in new Shares to be issued by the Company at the price of HK$0.10 per share ("Cash Option");

for every HK$1.00 of the amount of their accepted claims.

If an Existing Notes Creditor fails to elect either the Equity Option or the Cash Option in its account holder letter, that Existing Notes Creditor shall receive scheme consideration set out in the form of the Equity Option.

Non-Note Creditors which lodged a valid notice of claim with the Information Agent on or before the bar date shall receive scheme consideration in the form of HK$0.10 in cash for every HK$1.00 of the amount of their accepted claim.

The repayment of the outstanding indebtedness of the Group to certain Scheme Creditors (among which Morgan Stanley & Co. International Plc, Mill Reef Investment S.A. and Mr. Ni Song Hua are existing Shareholders, which holds approximately 0.004%, 0.82% and 0.26% of the total issued shares of the Company as at the Latest Practicable Date and had debt amount due from the Company of US$5.0 million, US$2.3 million and US$17.9 million respectively) out of the proceeds from the Open Offer and the Share Subscriptions, which is not extended to all the other Shareholders, constitutes a special

deal under Note 5 to Rule 25 of the Takeovers Code. The Special Deal requires consent from the Executive under Rule 25 of the Takeovers Code, and such consent, if granted, shall be conditional upon the approval of the Independent Shareholders by way of a poll at the SGM and the Independent Financial Adviser to the TC Independent Board Committee publicly stating in its opinion that the terms of the Special Deal are fair and reasonable.

The extent of the Scheme Creditors will be varied from time to time as the Scheme Administrators are now in the process of determination of the claims received from the Scheme Creditors. The maximum extent of the Scheme Creditors that include, among others, all the Scheme Creditors who are also Shareholders and/or their associates, who, directly or through their associates, hold an aggregate of approximately 1.084% of the existing share capital of the Company as at the Latest Practicable Date.

The Company has applied to the Executive for the consent, under Rule 25 of the Takeovers Code in respect of the settlement of debts due by the Company to the Scheme Creditors who are also Shareholders which will be subject to the approval of the Independent Shareholders at the SGM by way of poll and provided that the Independent Financial Adviser to the TC Independent Financial Adviser publicly states in its opinion that the terms of the settlement of debts to the Interested Shareholders are at arm's length, on normal commercial terms and fair and reasonable.

Taking into account (i) the Creditors' Scheme is part of the Resumption Proposal; (ii) the terms offered to the Scheme Creditors who are also the Shareholders under the Creditors' Scheme are the same as and not more favourable than other Scheme Creditors who are not the Shareholders; (iii) in the event that the Restructuring is not successful, the Group will be placed into liquidation, by which all assets of the Company will be realized for the benefit of the creditors of the Company; (iv) the issue price of the Shares to be issued and (v) the Scheme Creditors who are also the Shareholders will abstain from voting on the resolutions to approve the Special Deal, respectively, we are of the view that the terms of the Special Deal are fair and reasonable and in the interests of the Company and the independent Shareholders as a whole.

V. RECOMMENDATIONS

Having considered the above principal factors and reasons, we concur with the view of the Board that the respective terms of the Shipyard Debt Rescheduling Agreement, the Shipyard Termination Agreement, the Open Offer, the Wahen Investments Subscription Agreement, the Assumption Agreement and the Listco Preferred Shares Modification Deed are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and the granting of the Whitewash Waiver and the Special Deal are fair and reasonable and in the interests of the Company and the Independent Shareholders taken as a whole.

Accordingly, we advise the LR Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the relevant resolutions in relation to the Shipyard Debt Rescheduling Agreement, the Shipyard Termination Agreement, the Wahen Investments Subscription Agreement, the Assumption Agreement and the Listco Preferred Shares Modification Deed at the SGM.

We also advise the TC Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the relevant resolutions in relation to the Whitewash Waiver and the Special Deal at the SGM.

Yours faithfully,
For and on behalf of
Asian Capital (Corporate Finance) Limited
Larry CHAN
Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

(A) Financial summary for the three years ended 31 December 2014

Financial information of the Group for each of the three years ended 31 December 2012, 2013 and 2014 were disclosed in the annual reports of the Company for the years ended 31 December 2012 (pages 45 to 153), 2013 (pages 47 to 153) and 2014 (pages 43 to 159), which were published on both the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.petrotitan.com) respectively and as extracted from the annual report for the year ended 31 December 2014 as set out in section B in this appendix.

The consolidated financial statements for the years ended 31 December 2012, 2013 and 2014 were audited by HLB Hodgson Impey Cheng Limited. The disclaimers of opinion for the year ended 31 December 2012, 2013 and 2014 were disclosed in pages 35 to 44, pages 38 to 46 and pages 34 to 42 of the annual reports of the Company for the years ended 31 December 2012, 2013 and 2014 respectively and as extracted from the annual reports for the year ended 31 December 2012, 2013 and 2014 as set out in section 6 headed "Audit Qualification" in this appendix. Please refer to the hyperlinks as stated below:

2012 annual report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0409/LTN20140409383.pdf

2013 annual report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0530/LTN20140530235.pdf

2014 annual report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0424/LTN20150424576.pdf

Loss attributable to owners of the Company for the year ended 31 December 2012 includes impairment of property, plant and equipment of approximately HK$977 million, impairment of prepaid land/seabed lease payments of approximately HK$166 million, impairment of goodwill of approximately HK$587 million, impairment of prepayments, deposits and other receivables of approximately HK$146 million, impairment of licenses of approximately HK$19 million, write off of items of property, plant and equipment of approximately HK$354 million, loss on early redemption of TGIL Preferred Shares of approximately of HK$1,014 million, loss on early redemption of TGIL Convertible Notes of approximately of HK$153 million and gain on deconsolidation of a jointly-controlled entity of approximately of HK$182 million.

Loss attributable to owners of the Company for the year ended 31 December 2013 includes gain on deconsolidation of subsidiaries of approximately HK$1,236 million, impairment losses on amounts due from deconsolidated subsidiaries of approximately HK$5,384 million, loss on dercognition of derivative financial instruments not qualifying as hedges of approximately HK$176 million, reversal of impairment of property, plant and equipment of approximately of HK$482 million and reversal of impairment of prepaid land/ seabed lease payments of approximately of HK$17 million.

Profit attributable to owners of the Company for the year ended 31 December 2014 includes gain on deconsolidation of subsidiaries of approximately HK$4,135 million and impairment losses on amounts due from deconsolidated subsidiaries of approximately HK$ 135 million.

Save for the aforesaid, there were no extraordinary items or exceptional items which were exceptional because of size, nature or incidence during each of the three years ended 31 December 2012, 2013 and 2014.

No dividend has been paid or declared by the Company and no amount has been absorbed by dividends for each of the three years ended 31 December 2012, 2013 and 2014.

Set out below is a summary of the financial results of the Group for each of the three years ended 31 December 2012, 2013 and 2014 as extracted from the annual reports of the Company for each of the three years ended 31 December 2012, 2013 and 2014 respectively.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	2014 *HK$'000* (Audited)	2013 *HK$'000* (Audited)	2012 *HK$'000* (Audited)
CONTINUING OPERATIONS			
Revenue	–	644,325	1,272,127
Cost of sales	–	(673,394)	(1,395,162)
Gross loss	–	(29,069)	(123,035)
Other revenue	178,353	5,807	61,310
Change in fair values of derivative financial instruments not qualifying as hedges	–	–	157,763
Gain on deconsolidation of subsidiaries	4,134,534	1,236,193	–
General and administrative expenses	(208,607)	(317,279)	(330,369)
Finance costs	(22,585)	(153,318)	(247,846)
Impairment losses on amounts due from deconsolidated subsidiaries	(135,461)	(5,384,435)	–
Loss arising on change in fair value of investment property	(510)	–	–
Loss on derecognition of derivative financial instruments not qualifying as hedges	–	(176,049)	–
Profit/(loss) before tax from continuing operations	3,945,724	(4,818,150)	(482,177)
Income tax credit	113	440	7,854
Profit/(loss) for the year from continuing operations	3,945,837	(4,817,710)	(474,323)
DISCONTINUED OPERATION			
(Loss)/profit for the year from discontinued operation	(166,463)	247,478	(3,502,821)
PROFIT/(LOSS) FOR THE YEAR	3,779,374	(4,570,232)	(3,977,144)

	2014 *HK$'000* (Audited)	2013 *HK$'000* (Audited)	2012 *HK$'000* (Audited)
Profit/(loss) for the year attributable to:			
Owners of the Company	3,779,374	(4,570,232)	(3,977,144)
Non-controlling interests	–	–	–
	3,779,374	(4,570,232)	(3,977,144)
Total comprehensive income/(loss) attributable to:			
Owners of the Company	3,890,246	(4,583,340)	(4,007,617)
Non-controlling interests	–	–	–
	3,890,246	(4,583,340)	(4,007,617)
BASIC AND DILUTED EARNINGS/ (LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
From continuing and discontinued operations			
Basic per share	HK48.33 cents	(HK58.44 cents)	(HK50.86 cents)
Diluted per share	HK45.30 cents	(HK58.44 cents)	(HK50.86 cents)
From continuing operations			
Basic per share	HK50.45 cents	(HK61.60 cents)	(HK6.07 cents)
Diluted per share	HK47.29 cents	(HK61.60 cents)	(HK6.07 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	2014 *HK$'000* (Audited)	2013 *HK$'000* (Audited)	2012 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	3,138	4,787	5,023
Investment property	166,223	–	–
Prepaid land/seabed lease payments	–	24,558	24,361
Licenses	–	–	–
Total non-current assets	169,361	29,345	29,384
CURRENT ASSETS			
Inventories	–	–	43,789
Accounts receivable	–	181	1,837
Prepayments, deposits and other receivables	145,555	161,729	247,089
Pledged deposits and restricted cash	26,520	487,059	604,489
Cash and cash equivalents	1,315	19,664	122,560
	173,390	668,633	1,019,764
Assets of a disposal group classified as held for sale	2,861,227	2,956,904	2,423,163
Total current assets	3,034,617	3,625,537	3,442,927
CURRENT LIABILITIES			
Interest-bearing bank and other loans	5,850	5,850	184,706
Accounts payable	217,731	351,408	402,475
Other payables and accruals	774,100	4,520,305	1,236,530
Fixed rate guaranteed senior notes	882,329	962,062	891,871
Guaranteed senior convertible notes	441,753	499,693	453,971
Guaranteed senior payment-in-kind notes	88,657	100,243	92,236
Liability portion of convertible preferred shares	420,717	406,110	391,502
Notes payable	202,896	227,292	45,950
Tax payable	1,069	1,059	1,480
Amounts due to the ultimate holding company	947,503	951,730	–
Amount due to the immediate holding company	87	27	–
Loans from the ultimate holding company	–	95,283	–
Loans from the immediate holding company	3,000	–	9,700
	3,985,692	8,121,062	3,710,421

	2014 *HK$'000* (Audited)	2013 *HK$'000* (Audited)	2012 *HK$'000* (Audited)
Liabilities directly associated with the assets classified as held for sale	2,865,369	3,255,146	2,900,463
Total current liabilities	6,851,061	11,376,208	6,610,884
NET CURRENT LIABILITIES	(3,816,444)	(7,750,671)	(3,167,957)
TOTAL ASSETS LESS CURRENT LIABILITIES	(3,647,083)	(7,721,326)	(3,138,573)
NON-CURRENT LIABILITIES			
Amount due to the immediate holding company	456	–	–
Loans from the ultimate holding company	102,293	–	–
Loans from the immediate holding company	48,681	3,000	–
Deferred tax liabilities	34,121	–	–
Total non-current liabilities	185,551	3,000	–
Net liabilities	(3,832,634)	(7,724,326)	(3,138,573)
DEFICIENCY IN ASSETS			
Deficiency attributable to owners of the Company			
Share capital	78,206	78,206	78,206
Deficits	(3,910,840)	(7,802,532)	(3,216,779)
Deficiency in assets	(3,832,634)	(7,724,326)	(3,138,573)

(B) For the year ended 31 December 2014

Set out below is the consolidated financial statements of the Group for the year ended 31 December 2014 as extracted from the annual report of the Company for the year ended 31 December 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CONTINUING OPERATIONS			
Revenue	*4*	–	644,325
Cost of sales		–	(673,394)
Gross loss		–	(29,069)
Other revenue		178,353	5,807
Gain on deconsolidation of subsidiaries	*7(a)*	4,134,534	1,236,193
General and administrative expenses		(208,607)	(317,279)
Finance costs	*8*	(22,585)	(153,318)
Impairment losses on amounts due from deconsolidated subsidiaries	*7(d)*	(135,461)	(5,384,435)
Loss arising on change in fair value of investment property	*16*	(510)	–
Loss on derecognition of derivative financial instruments not qualifying as hedges		–	(176,049)
Profit/(loss) before tax from continuing operations	*9*	3,945,724	(4,818,150)
Income tax credit	*12*	113	440
Profit/(loss) for the year from continuing operations		3,945,837	(4,817,710)
DISCONTINUED OPERATION			
(Loss)/profit for the year from discontinued operation	*6(b)*	(166,463)	247,478
PROFIT/(LOSS) FOR THE YEAR		3,779,374	(4,570,232)

	Notes	2014 *HK$'000*	2013 *HK$'000*
Profit/(loss) for the year attributable to:			
Owners of the Company		3,779,374	(4,570,232)
Non-controlling interests		–	–
		3,779,374	(4,570,232)
BASIC AND DILUTED EARNINGS/ (LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*14*		
From continuing and discontinued operations			
Basic per share		HK48.33 cents	(HK58.44 cents)
Diluted per share		HK45.30 cents	(HK58.44 cents)
From continuing operations			
Basic per share		HK50.45 cents	(HK61.60 cents)
Diluted per share		HK47.29 cents	(HK61.60 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Profit/(loss) for the year		3,779,374	(4,570,232)
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Revaluation gain of prepaid land lease payment upon reclassification to investment property	*16*	142,324	–
Income tax arising from revaluation gain thereof		(34,219)	–
		108,105	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		2,767	(13,108)
		2,767	(13,108)
Other comprehensive income/(loss) for the year, net of tax		110,872	(13,108)
Total comprehensive income/(loss) for the year		3,890,246	(4,583,340)
Total comprehensive income/(loss) attributable to:			
Owners of the Company	*40(a)*	3,890,246	(4,583,340)
Non-controlling interests		–	–
		3,890,246	(4,583,340)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	3,138	4,787
Investment property	*16*	166,223	–
Prepaid land/seabed lease payments	*17*	–	24,558
Licenses	*18*	–	–
Total non-current assets		169,361	29,345
CURRENT ASSETS			
Accounts receivable	*22*	–	181
Prepayments, deposits and other receivables	*23*	145,555	161,729
Pledged deposits and restricted cash	*24*	26,520	487,059
Cash and cash equivalents	*24*	1,315	19,664
		173,390	668,633
Assets of a disposal group classified as held for sale	*6(b)*	2,861,227	2,956,904
Total current assets		3,034,617	3,625,537
CURRENT LIABILITIES			
Interest-bearing bank and other loans	*26*	5,850	5,850
Accounts payable	*27*	217,731	351,408
Other payables and accruals	*28*	774,100	4,520,305
Fixed rate guaranteed senior notes	*30*	882,329	962,062
Guaranteed senior convertible notes	*31*	441,753	499,693
Guaranteed senior payment-in-kind notes	*32*	88,657	100,243
Liability portion of convertible preferred shares	*33*	420,717	406,110
Notes payable	*34*	202,896	227,292
Tax payable		1,069	1,059
Amounts due to the ultimate holding company	*35*	947,503	951,730
Amount due to the immediate holding company	*35*	87	27
Loans from the ultimate holding company	*36*	–	95,283
Loans from the immediate holding company	*36*	3,000	–
		3,985,692	8,121,062
Liabilities directly associated with the assets classified as held for sale	*6(b)*	2,865,369	3,255,146
Total current liabilities		6,851,061	11,376,208
NET CURRENT LIABILITIES		(3,816,444)	(7,750,671)
TOTAL ASSETS LESS CURRENT LIABILITIES		(3,647,083)	(7,721,326)

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Amount due to the immediate holding company	*35*	456	–
Loans from the ultimate holding company	*36*	102,293	–
Loans from the immediate holding company	*36*	48,681	3,000
Deferred tax liabilities	*37*	34,121	–
Total non-current liabilities		185,551	3,000
Net liabilities		(3,832,634)	(7,724,326)
DEFICIENCY IN ASSETS			
Deficiency attributable to owners of the Company			
Share capital	*38*	78,206	78,206
Deficits	*40(a)*	(3,910,840)	(7,802,532)
Deficiency in assets		(3,832,634)	(7,724,326)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Notes	Attributable to owners of the Company		Total deficiency in assets
		Share capital (Note 38)	Deficits (Note 40(a))	
		HK$'000	HK$'000	HK$'000
At 1 January 2014		78,206	(7,802,532)	(7,724,326)
Profit for the year		–	3,779,374	3,779,374
Other comprehensive income for the year:				
Revaluation gain of prepaid land lease payment upon reclassification to investment property	*16*	–	142,324	142,324
Income tax arising from revaluation gain thereof	*37*	–	(34,219)	(34,219)
Exchange differences on translation of foreign operations		–	2,767	2,767
Total comprehensive income for the year		–	3,890,246	3,890,246
Released upon deconsolidation of subsidiaries	*7(a)*	–	1,446	1,446
At 31 December 2014		78,206	(3,910,840)	(3,832,634)
At 1 January 2013		78,206	(3,216,779)	(3,138,573)
Loss for the year		–	(4,570,232)	(4,570,232)
Other comprehensive loss for the year:				
Exchange differences on translation of foreign operations		–	(13,108)	(13,108)
Total comprehensive loss for the year		–	(4,583,340)	(4,583,340)
Share option expenses	*40(a)*	–	82	82
Released upon deconsolidation of subsidiaries	*7(a)*	–	(2,495)	(2,495)
At 31 December 2013		78,206	(7,802,532)	(7,724,326)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax from:			
Continuing operations		3,945,724	(4,818,150)
Discontinued operation	*6(b)*	(167,692)	249,252
Adjustments for:			
Depreciation	*9*	48,736	40,146
Amortisation of prepaid land/seabed lease payments	*9*	7,315	12,618
Interest income	*9*	(29)	(3,063)
Finance costs	*8*	158,337	308,585
Equity-settled share option expenses	*40(a)*	–	82
Reversal of impairment of property, plant and equipment	*15*	–	(482,455)
Reversal of impairment of prepaid land/ seabed lease payments	*17*	–	(16,976)
Loss on disposal/write off of items of property, plant and equipment	*9*	261	158
Impairment of accounts receivable	*22*	180	887
Impairment of prepayments, deposits and other receivables	*23*	2,361	–
Write down of inventories to net realisable value		–	429
Gain on deconsolidation of subsidiaries	*7(a)*	(4,134,534)	(1,236,193)
Impairment losses on amounts due from deconsolidated subsidiaries	*7(d)*	135,461	5,384,435
Loss on derecognition of derivative financial instruments not qualifying as hedges	*34*	–	176,049
Loss arising on change in fair value of investment property	*16*	510	–
Recognition/(release) of financial guarantee contracts		113,101	(2,361)
Reversal of finance cost		(213,229)	–
Reversal of guaranteed senior payment-in-kind notes		(11,320)	–
		(114,818)	(386,557)

	Notes	2014 HK$'000	2013 HK$'000
Decrease in inventories		–	44,290
Decrease in accounts receivable		–	695
Decrease in prepayments, deposits and other receivables		2,152	88,623
Increase in accounts payable		608	83,197
Increase in other payables and accruals		41,163	1,422
Increase in amounts due to the ultimate holding company		3,822	55,869
Increase in amount due to the immediate holding company		–	27
Cash used in operations		(67,073)	(112,434)
Interest received		29	3,063
Interest paid		–	(44,122)
Overseas profits tax paid		–	(1)
Net cash flows used in operating activities		(67,044)	(153,494)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in pledged and time deposits		–	133,322
Additions to property, plant and equipment		(48)	(2,350)
Proceeds of disposal of property, plant and equipment		–	663
Net cash outflow arising on deconsolidation of subsidiaries	*7(b)*	–	(630)
Net cash flows (used in) /generated from investing activities		(48)	131,005
CASH FLOWS FROM FINANCING ACTIVITIES			
Inception of new bank and other loans		–	144,175
Inception of loans from the immediate holding company		48,681	3,000
Inception of loans from the ultimate holding company		–	44,713
Repayments of bank and other loans		–	(263,781)
Repayments of loans to the immediate holding company		–	(9,700)
Increase in restricted cash		(23)	(26)
Net cash flows generated from/(used in) financing activities		48,658	(81,619)

	Notes	2014 HK$'000	2013 HK$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS		(18,434)	(104,108)
Cash and cash equivalents at the beginning of the year		19,891	123,767
Effect of foreign exchange rate changes, net		(11)	232
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		1,446	19,891
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		1,315	19,664
Cash and bank balances attributable to discontinued operation	*6(b)*	131	227
Cash and cash equivalents as stated in the consolidated statement of cash flows		1,446	19,891
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents per consolidated statement of cash flows		1,446	19,891
Cash and bank balances attributable to discontinued operation	*6(b)*	(131)	(227)
Cash and cash equivalents as stated in the consolidated statement of financial position		1,315	19,664

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries	*20*	–	–
CURRENT ASSETS			
Amounts due from subsidiaries	*20*	–	–
Prepayments, deposits and other receivables	*23*	2,539	3,361
Cash and cash equivalents	*24*	295	261
Total current assets		2,834	3,622
CURRENT LIABILITIES			
Amounts due to subsidiaries	*20*	2,767	9,464
Other payables and accruals	*28*	285,573	131,271
Financial guarantee contracts	*29*	321,996	346,978
Fixed rate guaranteed senior notes	*30*	882,329	962,062
Guaranteed senior convertible notes	*31*	441,753	499,693
Guaranteed senior payment-in-kind notes	*32*	88,657	100,243
Liability portion of convertible preferred shares	*33*	420,717	406,110
Amounts due to the ultimate holding company	*35*	943,291	946,711
Amount due to the immediate holding company	*35*	87	27
Loans from the immediate holding company	*36*	3,000	–
Total current liabilities		3,390,170	3,402,559
NET CURRENT LIABILITIES		(3,387,336)	(3,398,937)
TOTAL ASSETS LESS CURRENT LIABILITIES		(3,387,336)	(3,398,937)
NON-CURRENT LIABILITIES			
Amount due to the immediate holding company	*35*	456	–
Loans from the immediate holding company	*36*	48,681	3,000
Total non-current liabilities		49,137	3,000
Net liabilities		(3,436,473)	(3,401,937)
DEFICIENCY IN ASSETS			
Share capital	*38*	78,206	78,206
Deficits	*40(b)*	(3,514,679)	(3,480,143)
Deficiency in assets		(3,436,473)	(3,401,937)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

1. Corporate information

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

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

During the year, the Company and its subsidiaries (collectively the "Group") were involved in the following principal activities:

i) provision of logistic services, including offshore storage and oil transportation;

ii) supply of oil products and provision of bunker refueling services; and

iii) shipbuilding (including ship repairing).

The Group discontinued its shipbuilding and building of ship repair facilities operations in 2010 as detailed in note 6.

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

2.1 Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). They have been prepared under the historical cost convention, except for the investment property and financial instruments, which have been measured at fair value. All the assets and liabilities as at 31 December 2014 included in the disposal group classified as held for sale, representing the shipbuilding and building of ship repair facilities operations, were stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 6. These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Loss of access to books and records of the Group

The directors of the Company (the "Directors") have used their best endeavors to locate all the financial and business records of the Group. The access to most of the books and records of its subsidiaries which operated in Singapore have not been able to be located as a consequence of the re-location of the operating office and servers, together with the resignations of key management and most of the former operating and accounting personnel have once left the Group. Compounding the difficulties in obtaining information is the fact that most of the Singapore and certain British Virgin Islands ("BVI") subsidiaries were put into liquidation in 2013 and 2014 and the records have since been under the control of the Liquidators. As a result, the Directors have been unable to obtain sufficient information to satisfy themselves regarding the treatment of various transactions and balances of the Group for the years ended 31 December 2014 and 31 December 2013.

Going Concern Basis

During the year ended 31 December 2014, the Group incurred profits of HK$3,779,374,000 and, as of that date, the Group had net current liabilities and net liabilities of HK$3,816,444,000 and HK$3,832,634,000 respectively. These conditions together with events set out below, indicate the existence of a material uncertainty which may cast significant effect on the Group's ability to continue as a going concern.

Legal proceedings in which the Group are involved are summarised below:

a) Proceedings

Bermuda proceedings

On 9 July 2012 (Bermuda time), Saturn Petrochemical Holdings Limited ("SPHL") served on the Company a petition (the "SPHL Petition") at the Supreme Court of Bermuda (the "Bermuda Court") for an order, among other things, to wind up and to appoint a provisional liquidator against the Company.

On 23 July 2013 (Bermuda time), the Bermuda Court ordered (i) the SPHL Petition be struck out, and the Company be awarded the costs of the SPHL Petition up to the date upon which the skeleton argument for the strike-out application was filed; (ii) KTL Camden Inc. ("Camden") (the "Camden Petition") was allowed to be substituted as the petitioner in place of SPHL.

On 18 October 2013 (Bermuda time), the Bermuda Court ordered the appointment of Mr. Garth Calow and Ms. Alison Tomb, both of PricewaterhouseCoopers, as the joint provisional liquidators ("JPLs") of the Company with limited powers.

On 14 February 2014 (Bermuda time), the powers of the JPLs were varied by the Bermuda Court. On 7 March 2014 (Bermuda time), the Bermuda Court ordered that the Company be permitted to enter into the unsecured loan agreement with Fame Dragon in relation to the provision of an unsecured loan by Fame Dragon to the Company.

The winding up petition against the Company by Camden was adjourned to 10 April 2015 (Bermuda time), further details of which are set out in note 44.

b) Debt restructuring

The Directors have adopted the going concern basis in the preparation of the consolidated financial statements and have implemented measures to improve the working capital, liquidity and cash flow position of the Group.

The Company has been engaging in discussions with the Group's creditors, potential creditors as well as investors or potential investors in relation to the debt restructuring and fund raising (by way of debt financing and equity financing) proposals. Certain agreements in relation to the debt restructuring and fund raising have been entered into with the relevant parties (details of the agreements are set out in the announcements of the Company dated 25 November 2013, 5 May 2014 and 30 May 2014). As announced by the Company on 30 May 2014, the Company has submitted a resumption proposal (the "Resumption Proposal") on 5 May 2014 and has entered into certain agreements in relation to its business development and debt restructuring.

Further details of the agreements will be disclosed in a separate announcement to be released by the Company.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed and that, following the financial restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue to operate as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive loss within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 Changes in accounting policies and disclosures

The Group has adopted the following amended HKFRSs and HKASs issued by the HKICPA which became effective for accounting periods beginning on or after 1 January 2014.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
HK(IFRIC) – Int 21	Levies

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The application of these amendments to HKAS 32 results in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 36 – Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. However, an entity may not apply those amendments in periods (including comparative periods) in which it does not also apply HKFRS 13.

The application of these amendments to HKAS 36 has no material impact on the Group's financial performance and positions.

Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

The application of these amendments to HKAS 39 has no material impact on the Group's financial performance and positions.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 – Investment Entities

The Investment Entities amendments apply to a particular class of business that qualify as investment entities. The term ''investment entity'' refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The application of these amendments to HKFRS 10, HKFRS 12 and HKAS 27 has no material impact on the Group's financial performance and positions.

HK(IFRIC) – Int 21 Levies

HK(IFRIC) – Int 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC) – Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

The application of HK(IFRIC) – Int 21 has no material impact on the Group's financial performance and positions.

2.3 Issued but not yet effective hong kong financial reporting standards

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[5]

1 *Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.*
2 *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.*
3 *Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.*
4 *Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.*
5 *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*
6 *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.*

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and

equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

HKFRS 15 Revenue from Contracts with Customers

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

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

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

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

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

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

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The Directors do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 – Disclosure Initiative

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

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

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

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

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

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

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

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

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The Directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

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

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

The accounting option must be applied by category of investments.

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

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

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

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

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of ''vesting condition'' and ''market condition''; and (ii) add definitions for ''performance condition'' and ''service condition'' which were previously included within the definition of ''vesting condition''. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

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

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

a) the property meets the definition of investment property in terms of HKAS 40; and

b) the transaction meets the definition of a business combination under HKFRS 3.

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

Annual Improvements to HKFRSs 2012-2014 Cycle

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

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

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

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

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

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

2.4 Summary of significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

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

Subsidiaries

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

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

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

b) rights arising from other contractual arrangements; and

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

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Business combinations and goodwill

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

Related parties

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

   i) has control or joint control of the Group;

   ii) has significant influence over the Group; or

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

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

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

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

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

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

v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

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

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

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

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

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

Investment property

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

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the assets or a disposal group must be available for immediate sale in their present condition subject only to terms that are usual and customary for the sale of such assets or a disposal group and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as held for sale are not depreciated or amortised.

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or is part of a single co-ordinated plan to dispose of a separate major line of business.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Segment reporting

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

Licenses

Licenses represent the rights acquired to undertake floating storage operations. They are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 20 years, and assessed for impairment whenever there is an indication that the licenses may be impaired. The amortisation period and the amortisation method for the licenses with a finite useful life are reviewed at least at each financial year end.

Leases

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

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

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

Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

b) Loans and receivables

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Derecognition of financial assets

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include accounts and other payables, amounts due to the ultimate holding company, amount due to the immediate holding company, loans from the ultimate holding company, loans from the immediate holding company, interest-bearing bank and other loans, fixed rate guaranteed senior notes (the ''Senior Notes Due 2012''), guaranteed senior convertible notes (the ''Convertible Notes Due 2015''), guaranteed senior payment-in-kind notes (the ''PIK Notes Due 2015''), notes payable (the ''K-Line Notes Due 2013''), liability portion of the Company's convertible preferred shares (the ''Titan preferred shares''), and derivative financial instruments.

Subsequent measurement

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

a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

b) Loans and borrowings

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

c) Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

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

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transactions costs. For financial instrument where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, and a discounted cash flow analysis.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently premeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the consolidated statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedge of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current or non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Titan preferred shares

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

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

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

Convertible Notes Due 2015 and K-Line Notes Due 2013

If the conversion option of notes exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the notes is measured at fair value and presented as part of the notes. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the notes based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability and the portion relating to the derivative component is recognised immediately in the consolidated statement of profit or loss.

Ship stores and spare parts

Ship stores and spare parts are charged as operating expenses when purchased.

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

Revenue recognition

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

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

b) revenue from the provision of logistic services:

   i) from voyage chartering, on the percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage;

   ii) from time chartering, in the period in which the vessels are let and on the straight-line basis over the lease terms; and

iii) from the lease of storage facilities, on the straight-line basis over the lease terms;

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

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

Share-based payment transactions

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

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

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

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

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

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

Other employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of a reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of a reporting period for the expected future cost of such paid leave earned during the year by the employees and is carried forward.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or

loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

The employees of the subsidiary in Singapore are members of the Central Provident Fund (the "CPF") operated by the government of Singapore. That subsidiary and the employees are required to contribute a certain percentage of their payroll to the CPF. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the CPF. The subsidiary has no further obligations for the actual pension payments or post-retirement benefits beyond its contributions.

Borrowing costs

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

Foreign currencies

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

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

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

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

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

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

Financial guarantee

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value on the date the guarantee was given. Subsequently, the liabilities under such guarantees are measured at the higher of the best estimate of the expenditure required to settle any financial obligation arising at the date of the consolidated statement of financial position and the initial measurement. These estimates are determined based on debtors' payment history, supplemented by the judgement of management of the Group.

Contingent liabilities and contingent assets

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

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

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

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

3. Significant accounting judgements and estimates

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

Judgements

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

Income tax

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

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

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

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

Impairment of loans and receivables

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

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

Useful lives and residual values of property, plant and equipment

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

Net realisable value of inventories

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

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 15, 16 and 17 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

4. Revenue

Revenue under continuing operations, represents gross income from offshore storage services, the net invoiced value of oil products sold (after allowances for returns and trade discounts) and income from the provision of bunker refueling services, while gross income from shipbuilding service is included under the revenue of discontinued operation. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

	2014 *HK$'000*	**2013** *HK$'000*
Provision of offshore storage services	–	14,058
Supply of oil products and provision of bunker refueling services	–	630,267
Attributable to continuing operations	–	644,325
Attributable to discontinued operation	–	–
	–	644,325

5. Operating segment information

For management purposes, the Group is organised into business units based on their products and services and are principally engaged in (a) provision of logistic services (including offshore storage and transportation); and (b) supply of oil products and provision of bunker refueling services. In 2010, the Group classified its shipbuilding operation as being discontinued for the reason as detailed in note 6(a).

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in the Company's Annual Report for the year ended 31 December 2014.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices. There were no intersegment sales in the current year (2013: HK$Nil).

Year ended 31 December 2014

	Provision of logistic services		Supply of oil products and provision of bunker refueling services	Continuing operations	Discontinued operation		
	Offshore storage *HK$'000*	Transportation *HK$'000*		Total *HK$'000*	Shipbuilding *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Segment revenue							
– Revenue from external customers	–	–	–	–	–	–	–
Segment results	142	67	(1,363)	(1,154)	(31,941)	–	(33,095)
Adjusted for:							
– Interest income	–	–	–	–	1	28	29
– Other revenue	–	–	–	–	–	178,323	178,323
– Other expenses	–	–	–	–	–	(207,451)	(207,451)
	142	67	(1,363)	(1,154)	(31,940)	(29,100)	(62,194)
Add: Depreciation and amortisation	–	–	41	41	54,650	1,360	56,051
Operating earnings before interest, tax, depreciation and amortisation ("EBITDA")/ (loss before interest, tax, depreciation and amortisation) ("LBITDA")	142	67	(1,322)	(1,113)	22,710	(27,740)	(6,143)
Impairment losses on amounts due from deconsolidated subsidiaries	–	–	–	–	–	(135,461)	(135,461)
Gain on deconsolidation of subsidiaries	–	–	–	–	–	4,134,534	4,134,534
Loss arising on change in fair value of investment property	–	–	–	–	–	(510)	(510)
EBITDA/(LBITDA)	142	67	(1,322)	(1,113)	22,710	3,970,823	3,992,420
Depreciation and amortisation	–	–	(41)	(41)	(54,650)	(1,360)	(56,051)
Finance costs	–	–	–	–	(135,752)	(22,585)	(158,337)
Profit/(loss) before tax	142	67	(1,363)	(1,154)	(167,692)	3,946,878	3,778,032

Year ended 31 December 2013

	Provision of logistic services		Supply of oil products and provision of bunker refueling services	Continuing operations	Discontinued operation		
	Offshore storage	Transportation		Total	Shipbuilding	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue							
– Revenue from external customers	14,058	–	630,267	644,325	–	–	644,325
Segment results	(197,548)	(4,777)	(9,025)	(211,350)	(94,991)	–	(306,341)
Adjusted for:							
– Interest income	–	–	–	–	2	3,061	3,063
– Other revenue	–	–	–	–	–	667	667
– Other expenses	–	–	–	–	–	(132,919)	(132,919)
	(197,548)	(4,777)	(9,025)	(211,350)	(94,989)	(129,191)	(435,530)
Add: Depreciation and amortisation	–	–	315	315	50,424	2,025	52,764
Operating LBITDA	(197,548)	(4,777)	(8,710)	(211,035)	(44,565)	(127,166)	(382,766)
Impairment losses on amounts due from deconsolidated subsidiaries	–	–	–	–	–	(5,384,435)	(5,384,435)
Reversal of impairment of property, plant and equipment	–	–	–	–	482,532	–	482,532
Reversal of impairment of prepaid land/ seabed lease payments	–	–	–	–	16,976	–	16,976
Gain on deconsolidation of subsidiaries	–	–	–	–	–	1,236,193	1,236,193
Loss on derecognition of derivative financial instruments not qualifying as hedges	–	–	–	–	–	(176,049)	(176,049)
(LBITDA)/EBITDA	(197,548)	(4,777)	(8,710)	(211,035)	454,943	(4,451,457)	(4,207,549)
Depreciation and amortisation	–	–	(315)	(315)	(50,424)	(2,025)	(52,764)
Finance costs	–	–	–	–	(155,267)	(153,318)	(308,585)
(Loss)/profit before tax	(197,548)	(4,777)	(9,025)	(211,350)	249,252	(4,606,800)	(4,568,898)

Year ended 31 December 2014

	Provision of logistic services		Supply of oil products and provision of bunker refueling services	Continuing operations	Discontinued operation	
	Offshore storage	Transportation		Total	Shipbuilding	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information						
Depreciation and amortisation	–	–	41	41	54,650	54,691
Unallocated depreciation and amortisation				1,360		1,360
				1,401		56,051
Capital expenditures*	–	–	–	–	19	19
Unallocated capital expenditures				29		29
				29		48
Impairment of accounts receivable	–	–	180	180	–	180
Impairment of prepayments, deposits and other receivables	–	–	–	–	–	–
Unallocated impairment of prepayments, deposits and other receivables				2,361		2,361
				2,361		2,361

* *Capital expenditure consists of additions to property, plant and equipment.*

Year ended 31 December 2013

	Provision of logistic services		Supply of oil products and provision of bunker refueling services	Continuing operations	Discontinued operation	
	Offshore storage	Transportation		Total	Shipbuilding	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information						
Depreciation and amortisation	–	–	315	315	50,424	50,739
Unallocated depreciation and amortisation				2,025		2,025
				2,340		52,764
Capital expenditures*	–	–	13	13	11,756	11,769
Unallocated capital expenditures				2,489		2,489
				2,502		14,258
Impairment of accounts receivable	826	61	–	887	–	887
Impairment/(reversal of impairment) of property, plant and equipment	–	–	18	18	(482,532)	(482,514)
Unallocated impairment of property, plant and equipment				59		59
				77		(482,455)
Reversal of impairment of prepaid land/seabed lease payments	–	–	–	–	(16,976)	(16,976)

* *Capital expenditure consists of additions to property, plant and equipment.*

Geographical information

	Mainland China		Other Asia Pacific countries		Consolidated	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
a) Revenue						
Revenue from external customers	–	146,075	–	498,250	–	644,325
Attributable to discontinued operation – shipbuilding	–	–	–	–	–	–
Revenue from continuing operations	–	146,075	–	498,250	–	644,325
b) Other information						
Segment assets	3,032,569	3,450,094	171,409	204,788	3,203,978	3,654,882
Segment liabilities	3,216,717	3,566,940	3,819,895	7,812,268	7,036,612	11,379,208
Capital expenditures	19	11,769	29	2,489	48	14,258
Impairment of accounts receivable	180	–	–	887	180	887
Impairment of prepayments, deposits and other receivables	1,147	–	1,214	–	2,361	–
Reversal of impairment of property, plant and equipment	–	(482,455)	–	–	–	(482,455)
Reversal of impairment of prepaid land/seabed lease payments	–	(16,976)	–	–	–	(16,976)

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

Information about major customers

No revenue from major customers (2013: HK$484,192,000 and HK$89,378,000 from two major customers) reported under the supply of oil products and provision of bunker refueling services segment exceeded 10% of the Group's total revenue.

6. Discontinued operation

a) Shipbuilding – Titan Quanzhou Shipyard Co., Ltd. ("Titan Quanzhou Shipyard")

On 11 December 2010, the Company entered into a sale and purchase agreement with Grand China Logistics Holding (Group) Company Limited ("Grand China Logistics") (the "GCL Sale and Purchase Agreement") in relation to the disposal of its 95% equity interest in Titan Quanzhou Shipyard at a consideration of RMB1,865,670,000 (equivalent to approximately HK$2,378,203,000) or a maximum reduced consideration of RMB1,465,670,000 (equivalent to approximately HK$1,868,316,000) if Titan Quanzhou Shipyard's profit targets for the two years ending 31 December 2012 were not met. Pursuant to a supplemental agreement signed in 2011, such net profit targets were cancelled and the consideration for the proposed disposal was fixed at RMB1,665,670,000 (equivalent to approximately HK$2,123,260,000).

While the requisite regulatory and shareholder's approvals for the first two stage payments totaling RMB800,000,000 were obtained, only RMB740,000,000 has been received to date and the equity interests in Titan Quanzhou Shipyard have not yet been transferred to Grand China Logistics.

On 30 May 2012, Grand China Logistics commenced legal proceedings against the Company, Titan TQSL Holding Company Ltd ("Titan TQSL") and Titan Petrochemicals (Fujian) Ltd ("Titan Fujian") to seek an order for, among other things, the termination of the GCL Sale and Purchase Agreement and repayment of an aggregate of RMB740,000,000 (equivalent to approximately HK$943,291,000) referred to above together with accrued interest.

On 10 June 2013, the Company received a notification that Grand China Logistics assigned all of its interests, rights and obligations in respect of the sale and purchase of the 95% equity interest in Titan Quanzhou Shipyard to GZE and on 26 December 2013 上海市第一中級人民法院 (Shanghai No.1 Intermediate People's Court) (the "Shanghai Intermediate Court") ordered discontinuation of proceedings. Further details are set out in note 44.

The GCL Sale and Purchase Agreement will be terminated subject to certain terms and conditions. Further details of the termination will be disclosed in a separate announcement to be released by the Company.

As at 31 December 2014 and 2013, the assets and liabilities related to the discontinued operation, shipbuilding and building of ship repair facilities, have been presented in the consolidated statement of financial position as "Assets of a disposal group classified as held for sale" and "Liabilities directly associated with the assets classified as held for sale". The results for the years ended 31 December 2014 and 2013 are included in the consolidated statement of profit or loss as "(Loss)/profit for the year from discontinued operation".

b) Financial information on Titan Quanzhou Shipyard

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

	Notes	**2014** *HK$'000*	**2013** *HK$'000*
Other revenue		50,256	879
General and administrative expenses		(82,196)	(95,868)
Reversal of impairment of property, plant and equipment	*15*	–	482,532
Reversal of impairment of prepaid land/seabed lease payments	*17*	–	16,976
Finance costs	*8*	(135,752)	(155,267)
(Loss)/profit before tax		(167,692)	249,252
Income tax credit/(expenses)	*12*	1,229	(1,774)
(Loss)/profit for the year from discontinued operation		(166,463)	247,478

The major classes of assets and liabilities of Titan Quanzhou Shipyard classified as held for sale as at 31 December 2014 and 2013 are as follows:

	2014 *HK$'000*	**2013** *HK$'000*
Assets		
Property, plant and equipment	2,488,687	2,545,476
Prepaid land/seabed lease payments	306,345	313,822
Inventories	44,627	44,789
Prepayments, deposits and other receivables	21,437	52,590
Cash and cash equivalents	131	227
Assets of a disposal group classified as held for sale	2,861,227	2,956,904
Liabilities		
Interest-bearing bank and other loans	265,658	699,670
Accounts payable	93,861	93,624
Other payables and accruals	416,533	486,839
Amounts due to the ultimate holding company	83,949	85,769
Loans from the ultimate holding company	1,946,165	1,828,812
Deferred tax liabilities	59,203	60,432
Liabilities directly associated with the assets classified as held for sale	2,865,369	3,255,146
Net liabilities directly associated with the disposal group	(4,142)	(298,242)

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

	2014 *HK$'000*	2013 *HK$'000*
Net cash (outflow)/inflow from:		
Operating activities	(77)	(13,866)
Investing activities	(19)	–
Financing activities	–	12,886
Net cash outflow	(96)	(980)

7. Deconsolidation of subsidiaries

During the year ended 31 December 2014, ten wholly owned subsidiaries of the Group that were incorporated in BVI and three wholly owned subsidiaries of the Group that were incorporated in Singapore have been placed into liquidation.

Titan Storage Limited ("TSL"), Estonia Capital Ltd., Titan Mars Limited, Sino Ocean Development Limited, Brookfield Pacific Ltd., Roswell Pacific Ltd., Titus International Ltd., Wynham Pacific Ltd., Wendelstar International Ltd. and Sewell Global Ltd. were placed into voluntary liquidation on 25 April 2014. Titan Leo Pte. Ltd., Neptune Associated Shipping Pte Ltd and Petro Titan Pte. Ltd. were placed into voluntary liquidation on 29 April 2014.

During the year ended 31 December 2013, seventeen wholly owned subsidiaries of the Group that were incorporated in Singapore have been placed into liquidation.

On 6 June 2013, Titan Resources Management (S) Pte. Ltd. and Titan Bunkering Pte. Ltd. were put into voluntary liquidation. On 28 June 2013, Titan Ocean Pte Ltd was ordered to be wound up by the High Court of the Republic of Singapore under the provisions of the Companies Act (Cap 50).

Sino Mercury Pte. Ltd., Titan Aries Pte. Ltd., Titan Gemini Pte. Ltd., Titan Libra Pte. Ltd., Titan Mercury Shipping Pte. Ltd. and Titan Virgo Pte. Ltd. were put into voluntary liquidation on 19 July 2013. NAS Management Pte Ltd, Titan Chios Pte. Ltd., Titan Neptune Shipping Pte. Ltd., Titan Orient Lines Pte. Ltd., Titan Pisces Pte. Ltd., Titan Solar Pte Ltd, Sino Venus Pte. Ltd. and Far East Bunkering Services Pte Ltd were put into voluntary liquidation on 13 August 2013.

Accordingly, the Group had deconsolidated these subsidiaries as the Directors considered that the Group's control over these subsidiaries had been lost. The gain on deconsolidation of these subsidiaries and the net cash outflow arising on deconsolidation of subsidiaries were set out as below.

a) Gain on deconsolidation of subsidiaries

	2014 *HK$'000*	2013 *HK$'000*
Accounts receivable	–	77
Prepayments, deposits and other receivables	11,679	1,847
Amounts due from fellow subsidiaries	–	4,359,097
Amounts due from deconsolidated fellow subsidiaries	2,087,170	2,881,216
Cash and cash equivalents	–	630
Accounts payable	(133,710)	(132,997)
Amounts due to the intermediate holding company	(134,987)	(113,064)
Amounts due to fellow subsidiaries	(476)	(5,300,502)
Amounts due to deconsolidated fellow subsidiaries	(5,918,946)	(2,896,711)
Other payables and accruals	(46,710)	(33,291)
Net liabilities of deconsolidated subsidiaries attributable to the Group	(4,135,980)	(1,233,698)
Release of exchange fluctuation reserve	(1,446)	2,495
Net liabilities of deconsolidated subsidiaries attributable to the Group	4,135,980	1,233,698
Gain on deconsolidation of subsidiaries	4,134,534	1,236,193

b) Net cash outflow arising on deconsolidation of subsidiaries

Cash and cash equivalents of deconsolidated subsidiaries	–	(630)

c) Amounts due to deconsolidated subsidiaries were included in the consolidated statement of financial position as follows:

Other payables and accruals *(Note 28)*	390,121	4,222,659
Liabilities directly associated with the assets classified as held for sale	114,000	114,815
	504,121	4,337,474

d) Impairment losses:

Impairment losses on amounts due from deconsolidated subsidiaries *(Note)*	135,461	5,384,435

Note:

During the year ended 31 December 2014, impairments have been made for the amounts due from deconsolidated subsidiaries due to the amounts are highly unrecoverable and which are determined by reference to the estimation of future cash flows expected to be generated from the deconsolidated subsidiaries. Accordingly, impairment losses of HK$135,461,000 (2013: HK$5,384,435,000) were recognised during the year.

8. Finance costs

	2014 *HK$'000*	2013 *HK$'000*
Interest on:		
Bank and other loans		
– wholly repayable within five years	11,489	51,463
– not wholly repayable within five years	5,691	55,593
Loans from the immediate holding company		
– wholly repayable within five years	516	12
– not wholly repayable within five years	–	27
Loans from the ultimate holding company		
– wholly repayable within five years	–	407
– not wholly repayable within five years	125,133	55,462
Senior Notes Due 2012	–	70,191
Convertible Notes Due 2015	–	45,722
PIK Notes Due 2015	–	8,007
K-Line Notes Due 2013	–	5,293
Dividends on the Titan preferred shares *(Note 33)*	14,607	14,608
Other finance costs	901	1,800
Total interest expenses	158,337	308,585
Attributable to continuing operations	22,585	153,318
Attributable to discontinued operation *(Note 6(b))*	135,752	155,267
	158,337	308,585

9. Profit/(loss) before tax

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

		The Group	
		2014	**2013**
	Notes	*HK$'000*	*HK$'000*
Employee benefits expenses (excluding directors' remuneration – *Note 10):*			
Wages and salaries		14,624	31,363
Equity-settled share option expenses		–	82
Pension scheme contributions		1,193	2,205
		15,817	33,650
Cost of inventories sold		–	621,014
Cost of services rendered		–	52,380
Depreciation*		48,736	40,146
Amortisation of prepaid land/seabed lease payments*		7,315	12,618
Minimum lease payments under operating leases:			
Vessels		–	22,967
Leasehold buildings*		4,825	6,600
Auditors' remuneration*		2,080	1,723
Loss on disposal/write off of items of property, plant and equipment*		261	158
Write down of inventories to net realisable value*		–	429
Reversal of impairment of prepaid land/seabed lease payments*	*17*	–	(16,976)
Reversal of impairment of property, plant and equipment*	*15*	–	(482,455)
Foreign exchange differences, net*		(2,981)	63,737
Impairment of accounts receivable*	*22*	180	887
Impairment of prepayments, deposits and other receivables*		2,361	–
Bank interest income		(29)	(3,063)

* *Depreciation of HK$47,520,000 (2013: HK$38,354,000), amortisation of prepaid land/seabed lease payments of HK$7,130,000 (2013: HK$12,070,000), minimum lease payments under operating leases in leasehold buildings of HK$74,000 (2013: HK$Nil), auditors' remuneration of HK$51,000 (2013: HK$204,000), reversal of impairment of prepaid land/seabed lease payments of HK$Nil (2013: HK$16,976,000), reversal of impairment of property, plant and equipment of HK$Nil (2013: HK$482,532,000) and foreign exchange gain of HK$687,000 (2013: loss of HK$8,384,000) were included in (Loss)/profit for the year from discontinued operation in the consolidated statement of profit or loss. Except for the above, items that are related to continuing operations are included in "General and administrative expenses" in the consolidated statement of profit or loss.*

10. Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is detailed as follows:

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Fees	1,238	1,261
Other emoluments:		
Salaries, allowances and benefits-in-kind	9,878	9,594
Pension scheme contributions	68	45
	9,946	9,639
	11,184	10,900

During the years ended 31 December 2014 and 2013, no emoluments have been paid by the Group to any of the directors and the Chief Executive (the "CE") as an inducement to join or upon joining the Group as compensation for loss of office.

The emoluments of directors and the CE for the year ended 31 December 2014 are set out below.

	Fees	**Salaries, allowances and benefits-in-kind**	**Pension scheme contributions**	**Total emoluments**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Mr. Zhao Xu Guang*	–	3,800	17	3,817
Mr. Tang Chao Zhang*	–	1,200	17	1,217
Mr. Wong Siu Hung Patrick	–	3,678	17	3,695
Mr. Fu Yong Yuan	–	1,200	17	1,217
Non-executive directors:				
Mr. Hu Zhong Shan	250	–	–	250
Mr. Fan Qinghua	250	–	–	250
Independent non-executive directors:				
Mr. Foo Meng Kee	260	–	–	260
Mr. Lau Fai Lawrence (appointed on 13 March 2014)	193	–	–	193
Mr. Cheung Hok Fung Alexander (appointed on 24 March 2014 and resigned on 21 March 2015)	186	–	–	186
Mr. John William Crawford (contract expired on 27 February 2014)	59	–	–	59
Mr. Abraham Shek Lai Him (contract expired on 27 February 2014)	40	–	–	40
Total	1,238	9,878	68	11,184

The emoluments of directors and the CE for the year ended 31 December 2013 are set out below.

	Fees	Salaries, allowances and benefits-in-kind	Pension scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Mr. Zhao Xu Guang*	–	3,800	15	3,815
Mr. Tang Chao Zhang* (appointed on 26 March 2013)	–	916	–	916
Mr. Wong Siu Hung Patrick	–	3,678	15	3,693
Mr. Fu Yong Yuan	–	1,200	15	1,215
Non-executive directors:				
Mr. Hu Zhong Shan	250	–	–	250
Mr. Fan Qinghua (appointed on 26 March 2013)	191	–	–	191
Mr. Tsoi Tin Chun (resigned on 5 February 2013)	–	–	–	–
Independent non-executive directors:				
Mr. John William Crawford (contract expired on 27 February 2014)	370	–	–	370
Mr. Abraham Shek Lai Him (contract expired on 27 February 2014)	250	–	–	250
Mr. Foo Meng Kee (appointed on 27 December 2013)	4	–	–	4
Mr. Shane Frederick Weir (retired on 30 September 2013)	196	–	–	196
Total	1,261	9,594	45	10,900

* *Mr. Zhao Xu Guang ceased to act as CE on 25 March 2013 and reappointed as CE on 23 October 2014. Mr. Tang Chao Zhang was appointed as CE on 26 March 2013 and ceased to act as CE on 23 October 2014.*

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

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

11. Five highest paid employees

The five highest paid employees during the year included four (2013: four) directors, details of whose remuneration is disclosed in note 10 above. Details of the remuneration of the remaining one (2013: one) non-director, highest paid employee who is neither a director or senior management of the Company for the year are as follows:

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Salaries, allowances and benefits-in-kind	650	1,032
Pension scheme contributions	17	42
	667	1,074

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

	Number of employees	
	2014	**2013**
HK$500,001 to HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	–	1
	1	1

During the years ended 31 December 2014 and 2013, no emoluments have been paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group as compensation for loss of office.

12. INCOME TAX 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:

	2014	**2013**
Hong Kong	16.5%	16.5%
Singapore	17.0%	17.0%
Mainland China	25.0%	25.0%

Hong Kong

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the current and prior year.

Singapore

Under Section 13A of the Singapore Income Tax Act, charter and freight income derived from certain Singapore incorporated subsidiaries whose vessels are all sea-going Singapore flagged ships is exempted from corporate income tax in Singapore. No provision for taxation has been made on the estimated assessable profits generated from charter and freight income during the current and prior year.

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.

	2014 *HK$'000*	2013 *HK$'000*
Current tax:		
Hong Kong:		
Underprovision in prior years	14	–
	14	–
Elsewhere:		
Current charge for the year	–	121
Overprovision in prior years	–	(561)
	–	(440)
Deferred tax:		
Credit for the year *(Note 37)*	(127)	–
	(113)	(440)

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

	The Group	
	2014 *HK$'000*	2013 *HK$'000*
Profit/(loss) before tax	3,778,032	(4,568,898)
Tax at the statutory tax rates	608,295	(767,863)
Adjustments in respect of current tax of previous periods	14	(561)
Income not subject to tax	(724,209)	(651,012)
Expenses not deductible for tax	114,558	1,420,770
Income tax (credit)/expense at the Group's effective rate	(1,342)	1,334
Represented by:		
Tax credit attributable to continuing operations	(113)	(440)
Tax (credit)/expense attributable to discontinued operation *(Note 6(b))*	(1,229)	1,774
	(1,342)	1,334

Income tax recognised in other comprehensive income

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Revaluation of investment property *(Note 37)*	34,219	–
Total income tax recognised in other comprehensive income	34,219	–

13. Loss attributable to owners of the company

The consolidated loss attributable to owners of the Company for the year ended 31 December 2014 includes a loss of HK$34,536,000 (2013: HK$410,782,000) which has been dealt with in the financial statements of the Company *(note 40(b)).*

14. Basic and diluted earnings/(loss) per share attributable to owners of the company

From continuing and discontinued operations

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

	2014	**2013**
	HK$'000	*HK$'000*
Earnings/(loss)		
Earnings/(loss) for the purpose of basic earnings/(loss) per share Profit/(loss) for the year attributable to owners of the Company	3,779,374	(4,570,232)
Effect of dilutive potential ordinary shares:		
Dividends on Titan preferred shares *(Note)*	14,607	–
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	3,793,981	(4,570,232)

Number of shares

	2014	**2013**
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	7,820,554,682	7,820,554,682
Effect of dilutive potential ordinary shares:		
Titan preferred shares *(Note)*	555,000,000	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	8,375,554,682	7,820,554,682

From continuing operations

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

Earnings/(loss) figures are calculated as follows:

	2014 *HK$'000*	**2013** *HK$'000*
Profit/(loss) for the year attributable to owners of the Company	3,779,374	(4,570,232)
Add/(less):		
Loss/(profit) for the year from discontinued operation	166,463	(247,478)
Earnings/(loss) for the purpose of basic earnings/(loss) per share from continuing operations	3,945,837	(4,817,710)
Effect of dilutive potential ordinary shares:		
Dividends on Titan preferred shares *(Note)*	14,607	–
Earnings/(loss) for the purpose of diluted earnings/(loss) per share from continuing operations	3,960,444	(4,817,710)

Note:

As the Company failed to redeem the Titan preferred shares, the convertible right was deemed to continue for the purpose of calculating diluted earnings/(loss) per share. No adjustment have been made to the basic loss per share amounts presented for the year ended 31 December 2013 as the Titan preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

From discontinued operation

Basic loss per share for the discontinued operation is HK2.12 cents per share (2013: earnings per share of HK3.16 cents) and diluted loss per share for the discontinued operation is HK1.99 cents per share (2013: earnings per share of HK3.16 cents), based on the loss for the year from the discontinued operation of HK$166,463,000 (2013: profit of HK$247,478,000) and the denominators detailed above for both basic and diluted earnings/(loss) per share.

15. Property, plant and equipment

31 December 2014	Leasehold improvements *HK$'000*	Furniture, equipment and motor vehicles *HK$'000*	Total *HK$'000*
At 31 December 2013 and 1 January 2014:			
Cost	3,895	16,773	20,668
Accumulated depreciation and impairments	(3,648)	(12,233)	(15,881)
Net carrying amount	247	4,540	4,787
At 1 January 2014, net of accumulated depreciation and impairments	247	4,540	4,787
Additions	–	29	29
Disposals/written off	–	(452)	(452)
Depreciation provided during the year	(96)	(1,120)	(1,216)
Exchange realignments	(1)	(9)	(10)
At 31 December 2014, net of accumulated depreciation and impairments	150	2,988	3,138
At 31 December 2014:			
Cost	3,277	11,786	15,063
Accumulated depreciation and impairments	(3,127)	(8,798)	(11,925)
Net carrying amount	150	2,988	3,138

31 December 2013	Leasehold improvements *HK$'000*	Vessels *HK$'000*	Furniture, equipment and motor vehicles *HK$'000*	Total *HK$'000*
At 31 December 2012 and 1 January 2013:				
Cost	7,366	62,475	91,916	161,757
Accumulated depreciation and impairments	(7,000)	(62,475)	(87,259)	(156,734)
Net carrying amount	366	–	4,657	5,023
At 1 January 2013, net of accumulated depreciation and impairments	366	–	4,657	5,023
Additions	93	–	2,409	2,502
Disposals/written off	–	–	(972)	(972)
Depreciation provided during the year	(212)	–	(1,580)	(1,792)
Impairments	–	–	(77)	(77)
Exchange realignments	–	–	103	103
At 31 December 2013, net of accumulated depreciation and impairments	247	–	4,540	4,787
At 31 December 2013:				
Cost	3,895	–	16,773	20,668
Accumulated depreciation and impairments	(3,648)	–	(12,233)	(15,881)
Net carrying amount	247	–	4,540	4,787

At 31 December 2014, included in the assets of a disposal group classified as held for sale, the Group's construction in progress, buildings and machinery with net carrying values of HK$833,371,000 (2013: HK$836,392,000), HK$436,964,000 (2013: HK$453,316,000) and HK$118,659,000 (2013: HK$147,319,000), respectively, were pledged to certain bank loans and other loans and loans from the ultimate holding company granted to the Group *(notes 26 and 36).*

At 31 December 2014, included in the assets of a disposal group classified as held for sale was the property, plant and equipment with net carrying amount of HK$2,488,687,000 (2013: HK$2,545,476,000), as the recoverable amount of the property, plant and equipment was calculated to be approximately the same as its carrying amount since the last impairment loss was recognised and accordingly, reversal of impairment of HK$Nil (2013: HK$482,532,000) was recognised for the year ended 31 December 2014 and has been included in (loss)/profit for the year from discontinued operation as set out in note 6(b).

The recoverable amount of the property, plant and equipment classified as held for sale for as at 31 December 2014 and 2013 was determined based on a valuation performed by an independent valuer not connected to the Group. The recoverable amount was calculated by either or combination of (i) the cost approach with reference to the cost to reproduce or replace in new condition of the valued assets in accordance with current market prices for similar assets, with allowance for accrued deprecation as evidence by observed condition or obsolescence present; or (ii) the sales comparison approach with reference to the prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the valued assets relative to the market. The fair value less costs to sell being the recoverable amount was within the level 2 of the fair value hierarchy.

16. Investment property

	The Group **2014** *HK$'000*
At fair value	
Balance at 1 January	–
Transfer from prepaid land/seabed lease payments *(Note 17)*	24,275
Revaluation gain of prepaid land/seabed lease payments upon reclassification to investment property	142,324
Loss arising on change in fair value of investment property	(510)
Exchange realignments	134
Balance at 31 December	166,223
Unrealised loss on property revaluation included in profit or loss	510

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 year, 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.

At 31 December 2014, the investment property under the consolidated statement of financial position with an aggregate net carrying value of HK$166,223,000 (2013: HK$Nil) were pledged to the loan granted to the Group *(note 26).*

The fair value of the Group's investment property as at 31 December 2014 has been arrived at on the basis of a valuation carried out on the respective dates by an independent valuer not connected to the Group. The investment property located in Mainland China with medium term lease categorised as level 2 fair value measurement was determined by making reference to the comparable market transactions/asking prices as available in the relevant markets where appropriate. The fair value less costs to sell being the recoverable amount was within the level 2 of the fair value hierarchy.

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

Property valuation as at 31 December 2014 was carried out by Access Partner Consultancy & Appraisals Limited, an independent qualified professional valuer, in respect of the Group's investment property in Mainland China.

The valuation report for the property as at 31 December 2014 is signed by the associate director of Access Partner Consultancy & Appraisals Limited, who is the member of The Hong Kong Institute of Surveyors. The valuation was performed in accordance with "The HKIS Valuation Standards 2012 Edition" published by The Hong Kong Institute of Surveyors.

17. Prepaid land/seabed lease payments

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Carrying amount at 1 January	24,558	24,361
Amortisation provided during the year	(185)	(548)
Transfer to investment property *(Note 16)*	(24,275)	–
Exchange realignments	(98)	745
Carrying amount at 31 December	–	24,558

Prepaid land/seabed lease payments represent outlays in respect of the acquisition of land/seabed use rights that are accounted for as operating leases. These land/seabed lease payments are held on a long term basis and are situated in Mainland China.

At 31 December 2014, the prepaid land/seabed lease payments under the consolidated statement of financial position and under assets of a disposal group classified as held for sale with an aggregate net carrying value of HK$306,345,000 (2013: HK$338,380,000) were pledged to certain bank loans and other loans granted to the Group *(note 26).*

At 31 December 2014, included in the assets of a disposal group classified as held for sale was the prepaid land/seabed lease payments with net carrying amount of HK$306,345,000 (2013: HK$313,822,000) as the recoverable amount of the prepaid land/seabed lease payments was calculated to be higher than its carrying amount since the last impairment loss was recognised and accordingly, reversal of impairment of HK$Nil (2013: HK$16,976,000) was recognised for the year ended 31 December 2014 and has been included in (loss)/profit for the year from discontinued operation as set out in note 6(b).

The recoverable amount of the prepaid land/seabed lease payments classified as held for sale for the years ended 31 December 2014 and 2013 was determined based on a valuation performed by an independent valuer not connected to the Group. The recoverable amount was calculated by direct comparison approach. The fair value less cost to sell being the recoverable amount was within the level 2 of the fair value hierarchy.

18. Licenses

	The Group *HK$'000*
31 December 2014	
At 1 January 2014 and 31 December 2014, net of accumulated amortisation and impairments	–
At 31 December 2014:	
Cost	–
Accumulated amortisation and impairments	–
Net carrying amount	–
At 31 December 2013:	
Cost	36,584
Accumulated amortisation and impairments	(36,584)
Net carrying amount	–

Licenses represent the rights acquired to undertake floating storage operations within the port limits off the west coast of the Malaysia peninsula, pursuant to licenses issued by the Ministry of Transport of Malaysia.

During the year ended 31 December 2014, the subsidiary which hold the licenses was placed into liquidation on 25 April 2014 and accordingly, the cost and accumulated amortisation of the licenses were written off.

19. Goodwill

	The Group *HK$'000*
31 December 2014	
At 1 January 2014 and 31 December 2014, net of accumulated impairments	–
At 31 December 2014:	
Cost	16,568
Accumulated impairments	(16,568)
Net carrying amount	–
At 31 December 2013:	
Cost	16,568
Accumulated impairments	(16,568)
Net carrying amount	–

The carrying amount of goodwill (net of impairments) allocated to each of the cash-generating units is as follows:

	Oil supply		Shipbuilding and ship repair		Total	
	2014	2013	2014	2013	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount	–	–	–	–	–	–

Goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing:

- Oil supply cash-generating unit; and
- Shipbuilding and ship repair cash-generating unit.

20. Interests in subsidiaries

	The Company	
	2014	2013
	HK$'000	*HK$'000*
Unlisted shares, at cost	234,008	234,008
Deemed investment cost*	208,841	346,978
Due from subsidiaries	4,832,707	4,828,191
Less: Impairment	(5,275,556)	(5,409,177)
	–	–

* *The deemed investment cost represented the fair value of financial guarantees provided by the Company to (i) a bank for a loan granted to a subsidiary of the Group, (ii) shipowners for charter hire expenses of a subsidiary of the Group (which was put into liquidation in 2014) in accounts payable and (iii) the K-Line Notes Due 2013.*

During the year ended 31 December 2014, TSL, a subsidiary of the Group, was placed into the liquidation. The Group had deconsolidated TSL as the Directors considered that the Group's control over TSL had been lost. Accordingly, the financial guarantees provided by the Company to TSL in respect of charter hire expenses of vessels were no longer considered a deemed investment of the Company. The Company derecognised that deemed investment cost and recognised a reversal of impairment loss of deemed investment cost amounting to HK$113,101,000 (2013: HK$Nil).

During the year ended 31 December 2014, the Company recognised a reversal of impairment loss of HK$20,520,000 (2013: impairment loss of HK$85,649,000) on the amounts due from subsidiaries and deemed investment cost mainly due to the decrease in deemed investment cost in respective subsidiaries.

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Titan Oil (Asia) Ltd.	BVI	Ordinary US$1	100	Investment holding
Titan FSU Investment Limited	BVI	Ordinary US$1,000	100	Investment holding
Titan Oil Storage Investment Limited ("TOSIL")	BVI	Ordinary US$1	100	Investment holding
Titan Oil Trading (Asia) Limited	BVI	Ordinary US$1	100	Investment holding
Titan Bunkering Investment Limited	BVI	Ordinary US$1	100	Investment holding
Harbour Sky Investments Limited	BVI	Ordinary US$1	100	Investment holding
Titan Shipyard Holdings Limited ("Shipyard Holdings")	BVI	Ordinary US$1	100	Investment holding
Titan Fujian[#]	Mainland China	US$30,000,000	100	Investment holding
Indirectly held				
Estonia Capital Ltd.[o]	BVI/Singapore	Ordinary US$1	100	Provision of floating storage services
Wynham Pacific Ltd.[o]	BVI/Singapore	Ordinary US$1	100	Provision of oil transportation services
Sino Ocean Development Limited[o]	BVI/Singapore	Ordinary US$1	100	Provision of oil transportation services
Titan Mars Limited[o]	BVI/Malaysia	Ordinary US$1,000	100	Holding a floating storage license
TSL[o]	BVI/Malaysia	Ordinary US$1,000	100	Provision of floating storage services
Titan Resources Management Limited	BVI/Hong Kong	Ordinary US$1	100	Provision of consultancy services
Ascend Success Investments Limited	Hong Kong	Ordinary HK$1	100	Provision of financing services
石狮市益泰润滑油脂贸易有限责任公司	Mainland China	RMB28,000,000	100	Investment holding
崾泗海鑫石油有限公司	Mainland China	RMB50,000,000	100	Supply of oil products
Titan TQSL	BVI	Ordinary US$10,000	100	Investment holding
Titan Quanzhou Shipyard[†]	Mainland China	RMB1,040,879,823	100	Shipbuilding and ship repair
广州泰山石化有限公司	Mainland China	RMB50,000,000	100	Supply of oil products

[#] *Registered as a wholly foreign-owned enterprise under PRC law.*

[†] *Registered as a sino-foreign owned enterprise under PRC law.*

[°] *Placed into liquidation in 2014.*

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

On 11 December 2010, the Company entered into the GCL Sale and Purchase Agreement to dispose of its 95% equity interest in a subsidiary, Titan Quanzhou Shipyard. As separately disclosed, this disposal has not yet been completed at the date of this report.

Shares of certain subsidiaries held by the Group were pledged to the note holders of the Senior Notes Due 2012 *(note 30)*, the Convertible Notes Due 2015 *(note 31)* and the PIK Notes Due 2015 *(note 32)*.

21. Inventories

At 31 December 2014, the Group had supplies of HK$44,627,000 (2013: HK$44,789,000) for shipbuilding and building of ship repair facilities operations, which amount is included in assets of a disposal group classified as held for sale at 31 December 2014 as set out in note 6(b).

22. Accounts receivable

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Accounts receivable	1,627	14,440
Impairments	(1,627)	(14,259)
	–	181

The Group normally allows credit terms to well-established customers ranging from 30 to 90 days. Efforts are made to maintain strict control over outstanding receivables and overdue balances are reviewed regularly by senior management. On this basis and the fact that the Group's accounts receivable relate to a large number of diversified customers, there are no significant concentrations of credit risk. Accounts receivable are non-interest-bearing.

An aged analysis of accounts receivable as at the end of the reporting period, based on the dates of recognition of the sales and net of provisions, is as follows:

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
1 to 3 months	–	181
	–	181

The movements in the provision for impairments of accounts receivable are as follows:

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
At 1 January	14,259	22,740
Released upon deconsolidation of subsidiaries	(12,812)	(8,897)
Bad debts written off	–	(471)
Impairment losses recognised *(Note 9)*	180	887
At 31 December	1,627	14,259

Included in the above impairment of accounts receivable is a provision for individually impaired accounts receivable of HK$1,627,000 (2013: HK$14,259,000) with a carrying amount before provision of HK$1,627,000 (2013: HK$14,440,000). The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the accounts receivable that are not individually nor collectively considered to be impaired is as follows:

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Neither past due nor impaired	–	181

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there has been no recent history of default and expected to be recovered in full.

Receivables that were past due but not impaired relate to a number of independent customers that have good track records with the Group. Based on past experience, the Directors are of the opinion that no provisions for impairments are necessary in respect of these balances as there have not been significant changes in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

23. Prepayments, deposits and other receivables

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Receivables from the liquidator of Titan Group Investment Limited ("TGIL")	137,813	139,090	–	–
Prepayment of expenses	3,047	4,080	2,415	3,347
Charter hire deposits for vessels	–	12,636	–	–
Others	4,695	5,923	124	14
	145,555	161,729	2,539	3,361

During the year ended 31 December 2014, the Group recognised an impairment loss of HK$2,361,000 (2013: HK$Nil) on prepayments, deposits and other receivables in continuing operations, based on estimated irrecoverable amounts determined by reference to past experience.

24. Cash and cash equivalents, pledged deposits and restricted cash

	The Group		The Company	
	2014	2013	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	1,315	19,664	295	261
Pledged deposits and restricted cash	26,520	487,059	–	–
	27,835	506,723	295	261
Less: Amounts pledged for bank and other loans and restricted cash:				
Bank balances	(19)	(19)	–	–
Time deposits	(26,501)	(26,478)	–	–
Time deposits with original maturities of more than three months *(Note 26)*	–	(460,562)	–	–
	(26,520)	(487,059)	–	–
Cash and cash equivalents	1,315	19,664	295	261

At 31 December 2014, including those classified under assets of a disposal group classified as held for sale, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$387,000 (2013: HK$461,324,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

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

25. Non-cash transactions

In addition to non-cash transactions disclosed elsewhere in these consolidated financial statements, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

a) During the year ended 31 December 2014, an entrusted loan included in liabilities directly associated with the assets classified as held for sale amounting to RMB360,000,000 (equivalent to approximately HK$458,692,000) was fully settled by a pledged deposit of the same amount held under a subsidiary of the Company. This constituted a non-cash transaction in 2014.

b) During the year ended 31 December 2013, a bank has transferred to GZE the rights and interests of a loan with the principal amounting to RMB39,000,000 (equivalent to approximately HK$49,894,000) held under a subsidiary of the Group. This constituted a non-cash transaction in 2013.

c) During the year ended 31 December 2013, a financial institution has transferred to GZE the rights and interests of a loan with the principal amounting to RMB1,429,497,000 (equivalent to approximately HK$1,828,812,000) held under a subsidiary classified as disposal group held for sale. This constituted a non-cash transaction in 2013.

26. Interest-bearing bank and other loans

	The Group					
	2014			2013		
The Group	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank and other loans – unsecured	0.00	2012	5,850	6.63	2012	5,850
			5,850			5,850

	The Group	
	2014	2013
	HK$'000	HK$'000
Bank and other loans repayable:		
Within one year	5,850	5,850

As at 31 December 2014, the Group, including those classified as held for sale, was in default on repayment of certain secured and unsecured bank borrowings with overdue portion in principal amount of HK$Nil and HK$5,850,000 respectively (2013: HK$648,497,000 and HK$5,850,000 respectively). The Company was continually in discussions with banks on the terms of the settlement of such defaulted loan.

Certain of the Group's bank and other loans, including those classified as held for sale are secured by:

i) prepaid land/seabed lease payments with an aggregate net carrying value of HK$306,345,000 (2013: HK$338,380,000);

ii) buildings with an aggregate net carrying value of HK$56,790,000 (2013: HK$59,155,000);

iii) investment property with an aggregate carrying value of HK$166,223,000 (2013: HK$Nil); and

iv) bank balances and deposits of HK$460,562,000 in 2013 but were released in 2014.

The carrying amounts of the Group's current and floating rate loans approximate to their fair values.

27. Accounts payable

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

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

	The Group		The Company	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
1 to 3 months	–	–	–	–
4 to 6 months	–	–	–	–
7 to 12 months	–	19	–	–
Over 12 months	217,731	351,389	–	–
	217,731	351,408	–	–

28. Other payables and accruals

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to deconsolidated subsidiaries	390,121	4,222,659	–	–
Amounts due to a deconsolidated jointly-controlled entity	174,665	175,298	285	285
Financial guarantee contracts *(Note 29)*	113,155	–	–	–
Receipt in advance	23,400	23,400	–	–
Others	72,759	98,948	285,288	130,986
	774,100	4,520,305	285,573	131,271

29. Financial guarantee contracts

At 31 December 2014, the carrying value of financial guarantee contracts arising from financial guarantees granted by the Company to (i) a bank for a loan to a subsidiary of the Group, (ii) shipowners for charter hire expenses of a subsidiary of the Group which was put into liquidation in 2014 and (iii) the K-Line Notes Due 2013, aggregated amounted to HK$321,996,000 (2013: HK$346,978,000). During the year ended 31 December 2014, TSL, a subsidiary of the Group, was placed into the liquidation. The Group had deconsolidated TSL as the Directors considered that the Group's control over TSL had been lost. Accordingly, the financial guarantees of HK$113,155,000 provided by the Company to TSL in respect of charter expenses of vessels were no longer considered as the guarantees to the subsidiary of the Group. It was recognised as financial guarantee contracts under "Other payables and accruals" in the consolidated statement of financial position as set out in note 28. The remaining financial guarantee contracts amounting to HK$208,841,000 (2013: HK$346,978,000) are eliminated on consolidation and are reflected in the Company's statement of financial position as set out in note 20.

30. Fixed rate guaranteed senior notes (the "senior notes due 2012")

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

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

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

The effective interest rate on the Senior Notes Due 2012 was 0.00% per annum in 2014 (2013: 8.50%). The outstanding principal in respect of the Senior Notes Due 2012 as at 31 December 2014 was US$105,870,000 (equivalent to approximately HK$825,786,000) (2013: US$105,870,000 (equivalent to approximately HK$825,786,000)), while the fair value of the Senior Notes Due 2012 as at 31 December 2014 and 2013 was US$9,528,000 (equivalent to approximately HK$74,321,000) and US$6,222,000 (equivalent to approximately HK$48,515,000), respectively.

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

On 25 November 2013, the Company announced, among other things, the key indicative terms of a debt restructuring proposal.

Pursuant to the Creditors' Scheme of arrangement (the "Creditors' Scheme"), the creditors of Existing Notes will settle their claims in exchange for every HK$1.00 of the amount of their claims arising under the Existing Notes:

i) HK$0.10 in cash and HK$0.30 in new Shares to be issued by the Company at the same price per share as the initial Conversion Price of the Convertible Bonds; or

ii) HK$0.20 in cash and HK$0.10 in new Shares to be issued by the Company at the same price per share as the initial Conversion Price of the Convertible Bonds,

and if any holder of the Existing Notes fails to make a selection before a specified deadline to be agreed, the Company will, at its sole discretion, select one of the above options on behalf of that holder.

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

The new Shares to be issued by the Company to the holders of the Existing Notes under the Creditors' Scheme will be subject to a lock-up period of 12 months.

On 14 August 2014, the Company and Notes Creditors of Senior Notes Due 2012 and certain Notes Creditors constituting the informal creditors' committee entered into an agreement, pursuant to which, the claims of those creditors of Existing Notes shall be compromised under the terms of a scheme of arrangement in Bermuda on the basis of the terms announced by the Company on 25 November 2013. 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 the creditors of Existing Notes and of Non-Note Creditors (as defined in the Creditors' Scheme) (the "Scheme Meetings") were held on the same date to consider and approve the Creditors' Scheme. At both Scheme Meetings, a majority in number of the Scheme Creditors present and voting (in person or by proxy), representing not less than three-fourths in value of the accepted claims of Scheme Creditors present and voting (either in person or by proxy), have voted in favour of the Creditors' Scheme. Accordingly, the Creditors' Scheme was duly approved at the Scheme Meetings. 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 on the same date and became effective and binding on all Scheme Creditors upon a copy of the Order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Act on the same date. Further details in respect of the above are included in the Company's announcement dated 6 November 2014.

On 12 November 2014, a notice was given that pursuant to the terms of the Creditors' Scheme, the Bar Time shall be 5:00 p.m. (Hong Kong time) on 5 February 2015; and Scheme Creditors who fail to submit an Account Holder Letter (for each Note Creditor) or Notice of Claim (for each Non-Note Creditor) prior to the Bar Time shall have no entitlement to Scheme Consideration in respect of any accepted liabilities under the Creditors' Scheme. Further details in respect of the above are included in the Company's announcement dated 12 November 2014.

At the hearing held on 6 March 2015, the Bermuda Court ordered to extend the long-stop date of the Creditors' Scheme of the Company to 31 July 2015. Further details in respect of above are included in the Company's announcement on 9 March 2015.

Except for the reversal of overprovision of interest on Senior Notes Due 2012 for prior years, the Company has not recognised any gain derived from the Creditors' Scheme for the year ended 31 December 2014.

The Company has entered into certain agreements in relation to settlement of outstanding debts of the Group. Further announcement(s) will be made by the Company as and when appropriate.

31. Guaranteed senior convertible notes (the "convertible notes due 2015")

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

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

During the years ended 31 December 2014 and 2013, none of the Convertible Notes Due 2015 were converted into ordinary shares.

The Convertible Notes Due 2015 comprise a financial liability at amortised cost and an embedded derivative. The effective interest rate on the Convertible Notes Due 2015 was 0.00% per annum in 2014 (2013: 12.22%).

On 31 December 2014, the outstanding principal of the Convertible Notes Due 2015 was US$47,960,000 (equivalent to approximately HK$374,088,000) (2013: US$47,960,000 (equivalent to approximately HK$374,088,000)).

On 6 September 2012, the winding up petition at the Bermuda Court remained undismissed or unstayed for a period of 60 consecutive days which, in turn, constituted an event of default under the terms of the Convertible Notes Due 2015 as set out in note 44.

On 25 November 2013, the Company announced, among other things, the key indicative terms of a debt restructuring proposal.

Pursuant to the Creditors' Scheme, the creditors of Existing Notes will settle their claims in exchange for every HK$1.00 of the amount of their claims arising under the Existing Notes:

i) HK$0.10 in cash and HK$0.30 in new Shares to be issued by the Company at the same price per share as the initial Conversion Price of the Convertible Bonds; or

ii) HK$0.20 in cash and HK$0.10 in new Shares to be issued by the Company at the same price per share as the initial Conversion Price of the Convertible Bonds,

and if any holder of the Existing Notes fails to make a selection before a specified deadline to be agreed, the Company will, at its sole discretion, select one of the above options on behalf of that holder.

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

The new Shares to be issued by the Company to the holders of the Existing Notes under the Creditors' Scheme will be subject to a lock-up period of 12 months.

On 14 August 2014, the Company and Notes Creditors of Convertible Notes Due 2015 and certain Notes Creditors constituting the informal creditors' committee entered into an agreement, pursuant to which, the claims of those creditors of Existing Notes shall be compromised under the terms of a scheme of arrangement in Bermuda on the basis of the terms announced by the Company on 25 November 2013. Further details in respect of the above are included in the Company's announcement dated 1 September 2014.

On 22 October 2014, the Scheme Meetings were held on the same date to consider and approve the Creditors' Scheme. At both Scheme Meetings, a majority in number of the Scheme Creditors present and voting (in person or by proxy), representing not less than three-fourths in value of the accepted claims of Scheme Creditors present and voting (either in person or by proxy), have voted in favour of the Creditors' Scheme. Accordingly, the Creditors' Scheme was duly approved at the Scheme Meetings. 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 on the same date and became effective and binding on all Scheme Creditors upon a copy of the Order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Act on the same date. Further details in respect of the above are included in the Company's announcement dated 6 November 2014.

On 12 November 2014, a notice was given that pursuant to the terms of the Creditors' Scheme, the Bar Time shall be 5:00 p.m. (Hong Kong time) on 5 February 2015; and Scheme Creditors who fail to submit an Account Holder Letter (for each Note Creditor) or Notice of Claim (for each Non-Note Creditor) prior to the Bar Time shall have no entitlement to Scheme Consideration in respect of any accepted liabilities under the Creditors' Scheme. Further details in respect of the above are included in the Company's announcement dated 12 November 2014.

At the hearing held on 6 March 2015, the Bermuda Court ordered to extend the long-stop date of the Creditors' Scheme of the Company to 31 July 2015. Further details in respect of the above are included in the Company's announcement on 9 March 2015.

Except for the reversal of overprovision of interest on Convertible Notes Due 2015 for prior years, the Company has not recognised any gain derived from the Creditors' Scheme for the year ended 31 December 2014.

The Company has entered into certain agreements in relation to settlement of outstanding debts of the Group. Further announcement(s) will be made by the Company as and when appropriate.

32. Guaranteed senior payment-in-kind notes (the "pik notes due 2015")

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

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

The PIK Notes Due 2015 are carried at amortised cost with an effective interest rate of 0.00% per annum in 2014 (2013: 8.50%). At 31 December 2014, the outstanding principal of the PIK Notes Due 2015 was US$10,912,751 (equivalent to approximately HK$85,119,458) (2013: US$12,364,095 (equivalent to approximately HK$96,439,942)).

On 6 September 2012, the winding up petition at the Bermuda Court remained undismissed or unstayed for a period of 60 consecutive days which, in turn, constituted an event of default under the terms of the PIK Notes Due 2015 as set out in note 44.

On 25 November 2013, the Company announced, among other things, the key indicative terms of a debt restructuring proposal.

Pursuant to the Creditors' Scheme, the creditors of Existing Notes will settle their claims in exchange for every HK$1.00 of the amount of their claims arising under the Existing Notes:

i) HK$0.10 in cash and HK$0.30 in new Shares to be issued by the Company at the same price per share as the initial Conversion Price of the Convertible Bonds; or

ii) HK$0.20 in cash and HK$0.10 in new Shares to be issued by the Company at the same price per share as the initial Conversion Price of the Convertible Bonds,

and if any holder of the Existing Notes fails to make a selection before a specified deadline to be agreed, the Company will, at its sole discretion, select one of the above options on behalf of that holder.

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

The new Shares to be issued by the Company to the holders of the Existing Notes under the Creditors' Scheme will be subject to a lock-up period of 12 months.

On 14 August 2014, the Company and Notes Creditors of PIK Notes Due 2015 and certain Notes Creditors constituting the informal creditors' committee entered into an agreement, pursuant to which, the claims of those creditors of Existing Notes shall be compromised under the terms of the Creditors' Scheme in Bermuda on the basis of the terms announced by the Company on 25 November 2013. Further details in respect of the above are included in the Company's announcement dated 1 September 2014.

On 22 October 2014, the Scheme Meetings were held on the same date to consider and approve the Creditors' Scheme. At both Scheme Meetings, a majority in number of the Scheme Creditors present and voting (in person or by proxy), representing not less than three-fourths in value of the accepted claims of Scheme Creditors present and voting (either in person or by proxy), have voted in favour of the Creditors' Scheme. Accordingly, the Creditors' Scheme was duly approved at the Scheme Meetings. 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 on the same date and became effective and binding on all Scheme Creditors upon a copy of the Order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Act on the same date. Further details in respect of the above are included in the Company's announcement dated 6 November 2014.

On 12 November 2014, a notice was given that pursuant to the terms of the Creditors' Scheme, the Bar Time shall be 5:00 p.m. (Hong Kong time) on 5 February 2015; and Scheme Creditors who fail to submit an Account Holder Letter (for each Note Creditor) or Notice of Claim (for each Non-Note Creditor) prior to the Bar Time shall have no entitlement to Scheme Consideration in respect of any accepted liabilities under the Creditors' Scheme. Further details in respect of the above are included in the Company's announcement dated 12 November 2014.

At the hearing held on 6 March 2015, the Bermuda Court ordered to extend the long-stop date of the Creditors' Scheme of the Company to 31 July 2015. Further details in respect of the above are included in the Company's announcement on 9 March 2015.

Except for the reversal of overprovision of interest on PIK Notes Due 2015 for prior years, the Company has not recognised any gain derived from the Creditors' Scheme for the year ended 31 December 2014.

The Company has entered into certain agreements in relation to settlement of outstanding debts of the Group. Further announcement(s) will be made by the Company as and when appropriate.

33. Convertible preferred shares

	The Group		The Company	
	Equity portion *HK$'000*	Liability portion *HK$'000*	Equity portion *HK$'000*	Liability portion *HK$'000*
Titan preferred shares				
At 31 December 2012 and 1 January 2013	–	391,502	–	391,502
Add: Dividends on Titan preferred shares (classified as financial liabilities) *(Note 8)*	–	14,608	–	14,608
At 31 December 2013 and 1 January 2014	–	406,110	–	406,110
Add: Dividends on Titan preferred shares (classified as financial liabilities) *(Note 8)*	–	14,607	–	14,607
At 31 December 2014	–	420,717	–	420,717

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

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

On 12 October 2012, GZE has informed the Company that it (through one of its wholly owned subsidiaries) has agreed, subject to the fulfillment of certain conditions precedent, to acquire all beneficial interests in the Titan preferred shares from SPHL.

34. Notes payable (the "k-line notes due 2013")

On 5 August 2008, the Group signed an agreement with Kawasaki Kisen Kaisha, Ltd. (''K-Line'') for K-Line to purchase notes for US$25 million (equivalent to approximately HK$195 million) with an interest rate of 1% per annum. Prior to 31 March 2013, at the sole option of the Company, the notes were exchangeable for up to 5% of the issued share capital of one of its subsidiaries, Titan TQSL, which holds Titan Quanzhou Shipyard in Mainland China.

At maturity, the notes are required to be repaid in full in cash equal to the greater of (i) 110% of the principal amount plus all accrued but unpaid interest; and (ii) the fair market value of 5.5% of the issued share capital of Titan TQSL on a fully diluted basis (the ''Applicable Redemption Amount''). The Group has the right to redeem the notes in full prior to maturity date at the Applicable Redemption Amount, while K-Line has a right of early redemption at the Applicable Redemption Amount in the event of a change of control.

The K-Line Notes Due 2013 comprised a financial liability at amortised cost and an embedded derivative. As at 31 December 2014, the fair value of the embedded derivatives asset was HK$Nil (2013: HK$Nil).

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

The loss on derecognition of derivative financial instruments not qualifying as hedges of HK$176,049,000 in 2013 represented the derecognition of derivative financial instruments of the K-Line Notes Due 2013 when it was due on 31 March 2013.

On 17 April 2014, the Company and Shipyard Holdings entered into a support agreement (the "Support Agreement") with the holder of K-Line Notes Due 2013, K-Line (being one of the creditors of Unsecured Claim), pursuant to which the parties have agreed that the claims of K-Line under the K-Line Notes Due 2013 shall be compromised, terminated and/or discharged upon its receipt of consideration being no less than HK$0.10 for every HK$1.00 of the agreed claim amounts in cash under the Restructuring by way of participation in the Creditors' Scheme or otherwise. And K-Line has agreed to support the debt restructuring and the Creditors' Scheme and has 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.

Except for the reversal of overprovision of interest on K-Line Notes Due 2013 for prior years, the Company has not recognised any gain derived from the Creditors' Scheme for the year ended 31 December 2014.

Details of the Support Agreement are set out in the announcements of the Company dated 5 May 2014 and 30 May 2014.

35. Amounts due to the ultimate/immediate holding company

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Amounts due to the ultimate holding company				
– Partial receipt of the disposal consideration of Titan Quanzhou Shipyard	943,291	946,711	943,291	946,711
– Interest payable	4,212	5,019	–	–
	947,503	951,730	943,291	946,711
Amount due to the immediate holding company				
– Interest payable	87	27	87	27
	947,590	951,757	943,378	946,738
Non-current				
Amount due to the immediate holding company				
– Interest payable	456	–	456	–

Interest payable to the ultimate holding company were unsecured, interest-free and repayable in accordance with the periods specified in the loan agreements. Other amounts due to the ultimate holding company was unsecured, interest-free and had no fixed terms of repayment.

Amount due to the immediate holding company was unsecured, interest-free and repayable together with the principal of the loan from the immediate holding company when due.

36. Loans from the ultimate/immediate holding company

	2014			2013		
The Group	**Effective interest rate** *(%)*	**Maturity**	*HK$'000*	**Effective interest rate** *(%)*	**Maturity**	*HK$'000*
Current						
Unsecured loans						
– ultimate holding company *(Note a)*	–	–	–	5.60-7.84	2014	95,283
– immediate holding company *(Note b)*	2.00	Repayable on demand	3,000	–	–	–
			3,000			95,283
Non-current						
Unsecured loans						
– ultimate holding company *(Note a)*	6.09-7.03	2021	102,293	–	–	–
Secured loan						
– immediate holding company *(Note b)*	2.00	2016	48,681	2.00	2018	3,000
			150,974			3,000
The Company						
Current						
Unsecured loan						
– immediate holding company *(Note b)*	2.00	Repayable on demand	3,000	–	–	–
			3,000			–
Non-current						
Unsecured loan						
– immediate holding company *(Note b)*	2.00	2016	48,681	2.00	2018	3,000
			48,681			3,000

	The Group		The Company	
	2014 *HK$'000*	**2013** *HK$'000*	**2014** *HK$'000*	**2013** *HK$'000*
Loans repayable:				
Within one year or repayable on demand	3,000	95,283	3,000	–
In the second to fifth years, inclusive	110,057	3,000	48,681	3,000
After five years	40,917	–	–	–
	153,974	98,283	51,681	3,000

Notes:

a) The loans from the ultimate holding company denominated in RMB with the amount of RMB80,247,000 (equivalent to approximately HK$102,293,000) (2013: RMB74,479,000 (equivalent to approximately HK$95,283,000)) are unsecured, repayable beyond one year and carry an interest rate at basic lending rate of the People's Bank of China under same period and same grade per annum.

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

However, the events of default have occurred. On 28 June 2013, Titan Ocean Pte Ltd, a wholly owned subsidiary in Singapore, was ordered to be wound up by the High Court of the Republic of Singapore under the provisions of the Companies Act (Cap 50). On 18 October 2013 (Bermuda time), the Bermuda Court ordered the appointment of Mr. Garth Calow and Ms. Alison Tomb, both of PricewaterhouseCoopers, as the JPLs of the Company with limited powers, therefore the loans from the immediate holding company of HK$3,000,000 was then presented as current liabilities as at 31 December 2014.

On 13 March 2014, the Company entered into a loan agreement with Fame Dragon pursuant to which Fame Dragon agreed to provide an interim financing on request of the Company of up to HK$62,240,000 at an interest rate of 2% per annum payable on maturity subject to the conditions precedent and event of default. Details of the above were set out in the Company's announcement dated 11 March 2014.

c) The loans from the ultimate holding company denominated in RMB with the amount of RMB1,526,742,000 (equivalent to approximately HK$1,946,165,000) (2013: RMB1,429,497,000 (equivalent to approximately HK$1,828,812,000)) classified as disposal group held for sale *(note 6(b))* are repayable beyond one year and carry an interest rate at the basic lending rate of the People's Bank of China per annum. They are secured by:

i) construction in progress with an aggregate carrying value of HK$833,371,000 (2013: HK$836,392,000);

ii) machinery with an aggregate net carrying value of HK$118,659,000 (2013: HK$147,319,000); and

iii) buildings with an aggregate net carrying value of HK$380,174,000 (2013: HK$394,161,000).

d) The carrying amounts of the Group's current and floating rate loans approximate to their fair values. The carrying amounts and the fair values of the Group's non-current and fixed rate loans are as follows:

	Carrying amount		Fair value	
	2014	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loans from the ultimate holding company	102,293	–	107,528	–
Loans from the immediate holding company	48,681	3,000	49,965	3,199
	150,974	3,000	157,493	3,199

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

37. Deferred tax liabilities

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

The Group	**Accelerated capital allowances** *HK$'000*
At 1 January 2013 and 31 December 2013	–
Deferred tax charged to other comprehensive income *(Note 12)*	34,219
Deferred tax credited to the consolidated statement of profit or loss *(Note 12)*	(127)
Exchange realignment	29
At 31 December 2014	34,121

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

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

At 31 December 2014 and 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is unlikely that these subsidiaries will distribute such earnings in the foreseeable future. At 31 December 2014 and 2013, there were no significant unrecognised deferred tax liabilities for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group had no material liabilities for additional taxes should such amounts be remitted.

At 31 December 2014, the continuing operations of the Group and the Company have unused tax losses of HK$84,503,000 (2013: HK$64,046,000) and HK$28,894,000 (2013: HK$11,661,000), respectively, available for offset against future profits. Among such, HK$60,752,000 (2013: HK$30,752,000) may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

38. Share capital

Shares

	The Group			
	2014		2013	
	Number of shares	Nominal value of shares *HK$'000*	Number of shares	Nominal value of shares *HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each at 31 December	14,445,000,000	144,450	14,445,000,000	144,450
Convertible preferred shares of HK$0.01 each at 31 December *(Note 33)*	555,000,000	5,550	555,000,000	5,550
Issued and fully paid:				
Ordinary shares of HK$0.01 each at 1 January and 31 December	7,820,554,682	78,206	7,820,554,682	78,206
Convertible preferred shares of HK$0.01 each at 1 January and 31 December	555,000,000	5,550	555,000,000	5,550

Notes:

a) During the years ended 31 December 2014 and 2013, none of the Convertible Notes Due 2015 were converted into ordinary shares.

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

Share option scheme

Details of the Company's share option schemes and the movements in share options issued by the Company are included in note 39 to the consolidated financial statements.

39. Share option scheme

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

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

a) Summary of the Schemes

i) Purposes of the Schemes

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

ii) Participants in the Schemes

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

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

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

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

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

iv) Maximum entitlement of each participant

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

v) Time of exercise of options

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

vi) Amount payable on acceptance

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

vii) Basis of determining the subscription price

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

i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of the offer;

ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and

iii) the nominal value of a Share.

viii) Remaining life of the Schemes

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

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

b) Share Option Movements

i) 2002 Share Option Scheme

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

	Number of share option							Exercise price
Name or category of participant	**At 1 January 2014**	**Granted during the year**	**Lapsed during the year**	**Exercised during the year**	**At 31 December 2014**	**Date of grant of share options***	**Exercise period of share options**	**of share options** ** *HK$*
Director								
Mr. Wong Siu Hung Patrick	10,000,000	–	–	–	10,000,000	1 February 2008	1 February 2010 to 31 January 2015	0.45
	10,000,000	–	–	–	10,000,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	20,000,000	–	–	–	20,000,000			
Other employees								
In aggregate	1,450,000	–	(1,000,000)	–	450,000	1 February 2008	1 February 2010 to 31 January 2015	0.45
	6,230,000	–	(1,160,000)	–	5,070,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	5,420,000	–	(320,000)	–	5,100,000	1 February 2008	1 February 2012 to 31 January 2017	0.45
	6,000,000	–	(380,000)	–	5,620,000	1 February 2008	1 February 2013 to 31 January 2018	0.45
	19,100,000	–	(2,860,000)	–	16,240,000			
	39,100,000	–	(2,860,000)	–	36,240,000			

The following table discloses movement of the Company's share options under the 2002 Share Option Scheme in the prior year:

	Number of share option							
Name or category of participant	At 1 January 2013	Granted during the year	Lapsed during the year	Exercised during the year	At 31 December 2013	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$
Director								
Mr. Wong Siu Hung Patrick	10,000,000	–	–	–	10,000,000	1 February 2008	1 February 2010 to 31 January 2015	0.45
	10,000,000	–	–	–	10,000,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	20,000,000	–	–	–	20,000,000			
Other employees								
In aggregate	7,975,000	–	(7,975,000)	–	–	20 February 2006	20 February 2008 to 19 February 2013	0.72
	7,050,000	–	(5,600,000)	–	1,450,000	1 February 2008	1 February 2010 to 31 January 2015	0.45
	33,196,000	–	(26,966,000)	–	6,230,000	1 February 2008	1 February 2011 to 31 January 2016	0.45
	24,706,000	–	(19,286,000)	–	5,420,000	1 February 2008	1 February 2012 to 31 January 2017	0.45
	26,988,000	–	(20,988,000)	–	6,000,000	1 February 2008	1 February 2013 to 31 January 2018	0.45
	99,915,000	–	(80,815,000)	–	19,100,000			
	119,915,000	–	(80,815,000)	–	39,100,000			

* *Options granted on 20 February 2006 were vested to grantees in two tranches. 50% of such options were vested on 20 February 2007 with an exercise period from 20 February 2007 to 19 February 2012 and the remaining 50% were vested on 20 February 2008 with an exercise period from 20 February 2008 to 19 February 2013. The closing price of the Company's shares on 17 February 2006 (i.e. the date before grant) was HK$0.72.*

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

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

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

At the end of the reporting period, the Company had outstanding share options for the subscription of 36,240,000 ordinary shares under the 2002 Share Option Scheme. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 36,240,000 additional ordinary shares of the Company and additional share capital of HK$362,400 and share premium of HK$15,945,600 (before issue expenses).

ii) New Share Option Scheme

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

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

	2014		2013	
	Weighted average exercise price per share *HK$*	**Number of shares issuable under options**	**Weighted average exercise price per share** *HK$*	**Number of shares issuable under options**
Outstanding at 1 January	0.450	39,100,000	0.468	119,915,000
Lapsed	0.450	(2,860,000)	0.477	(80,815,000)
Outstanding at 31 December	0.450	36,240,000	0.450	39,100,000

None (2013: None) of the 36,240,000 outstanding options (2013: 39,100,000) has been exercised during the year ended 31 December 2014.

No diluted earnings per share for the year ended 31 December 2014 has been presented as the exercise price of the share options outstanding during the year was higher than the average market price of the Company's shares for the year ended 31 December 2014. No diluted loss per share for the year ended 31 December 2013 has been presented as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year ended 31 December 2013.

40. Deficits

a) The Group

	Notes	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	PRC statutory reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 December 2012 and 1 January 2013		2,473,241	18,261	20,171	175	–	166,253	(5,894,880)	(3,216,779)
Total comprehensive loss for the year		–	–	–	–	–	(13,108)	(4,570,232)	(4,583,340)
Share option expenses		–	–	82	–	–	–	–	82
Released upon deconsolidation of subsidiaries	7(a)	–	–	–	–	–	(2,495)	–	(2,495)
Transfer to accumulated losses upon lapse of share options after vesting periods		–	–	(14,017)	–	–	–	14,017	–
At 31 December 2013 and 1 January 2014		2,473,241	18,261	6,236	175	–	150,650	(10,451,095)	(7,802,532)
Total comprehensive income for the year		–	–	–	–	108,105	2,767	3,779,374	3,890,246
Released upon deconsolidation of subsidiaries	7(a)	–	–	–	–	–	1,446	–	1,446
Transfer to accumulated losses upon lapse of share options after vesting periods		–	–	(452)	–	–	–	452	–
At 31 December 2014		2,473,241	18,261	5,784	175	108,105	154,863	(6,671,269)	(3,910,840)

Share premium

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

Contributed surplus

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

Share option reserve

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

PRC statutory reserve

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

Asset revaluation reserve

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

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.

b) The Company

	Notes	**Share premium** *HK$'000*	**Contributed surplus** *HK$'000*	**Share option reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 31 December 2012 and 1 January 2013		2,473,241	60,916	20,171	(5,623,771)	(3,069,443)
Total comprehensive loss for the year	*13*	–	–	–	(410,782)	(410,782)
Share option expenses		–	–	82	–	82
Transfer to accumulated losses upon lapse of share options after vesting period		–	–	(14,017)	14,017	–
At 31 December 2013 and 1 January 2014		2,473,241	60,916	6,236	(6,020,536)	(3,480,143)
Total comprehensive loss for the year	*13*	–	–	–	(34,536)	(34,536)
Transfer to accumulated losses upon lapse of share options after vesting period		–	–	(452)	452	–
At 31 December 2014		2,473,241	60,916	5,784	(6,054,620)	(3,514,679)

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 of the Company represents the excess of the fair values of the shares of the subsidiaries acquired, pursuant to the same Group reorganisation referred to above, over the norminal value of the Company's shares issued in exchange therefore. Under the Act, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

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.

Distributable reserves

At 31 December 2014, the Company did not have reserves available for distribution.

41. Operating lease arrangements

a) As lessor

At 31 December 2014 and 2013, the Group did not lease out any leasehold land and buildings under operating lease arrangements to third parties.

b) As lessee

The Group leases office premise, warehouse and staff quarters under operating lease arrangements. At 31 December 2014, leases for office premise, warehouse and staff quarters are negotiated for terms ranging from one to three years (2013: one to three years).

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Office premise, warehouse and staff quarters*		
Within one year	3,897	3,845
In the second to fifth years, inclusive	–	3,665
	3,897	7,510

* *At 31 December 2014 and 2013, such commitments included the disposal group classified as held for sale.*

42. Commitments

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Commitments for shipbuilding and ship repair facilities in Mainland China*	867,953	870,948

* *At 31 December 2014 and 2013, such commitments were associated with the disposal group classified as held for sale.*

43. Guarantees

As at 31 December 2014, guarantees with aggregated amounts of HK$321,996,000 (2013: HK$346,978,000) were given by the Company to (i) a bank for a loan to a subsidiary of the Group, (ii) shipowners for charter hire expenses to a subsidiary of the Group which was put into liquidation in 2014 and (iii) the K-Line Notes Due 2013.

As at 31 December 2014, an amount of HK$321,996,000 (2013: HK$346,978,000) has been recognised in the Company's statement of financial position.

As at 31 December 2014, guarantees in the aggregate amount of HK$113,155,000 (2013: HK$Nil) had been provided to a deconsolidated subsidiary to ship owners for the charter hire expenses. They had been utilised and recognised as liabilities in the consolidated statement of financial position.

Other than those as disclosed above, the Group and the Company had no other material guarantees outstanding as at 31 December 2014 and 2013.

44. Contingent liabilities

Arbitrations

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

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

The claims relate to disputes between the Company/TSL and Mayfair in relation to the alleged breaches by TSL of a bareboat charter party contract executed in 2010 (the "Charterparty"), including but not limited to the Company/TSL's failure to pay hire and contractual interest on hire; and the alleged failure to insure the Mayfair vessel. The total amount of Mayfair's claim is US$23,021,040.61 and SG$5,296,30. TSL and the Company have also counterclaimed against Mayfair for US$20,755,188.89.

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

a) on the amounts of the claims by Camden, Edinburgh and Mayfair (collectively, the "Creditor Debt") to be recognsied as unsecured claims (the "Agreed Claim Amounts") in the Restructuring by way of the Creditors' Scheme as announced by the Company on 25 November 2013;

b) that subject to and upon receipt by the Creditors of the full cash payment under the Creditors' Scheme of HK$0.10 for every HK$1.00 of the Agreed Claim Amounts (the "Settlement Payment"), the parties will be released from all liabilities arising out of or in connection with the Creditor Debt, the Creditor Debt Documents and the subject matter thereof and any previous arrangement between the Company, TSL and the Creditors in relation to the Arbitration Proceedings;

c) that promptly and in any event within three business days of the date of the Settlement Agreement, the parties will take all steps reasonably required to effect a stay of the Arbitration Proceedings; and

d) that promptly and in any event within three business days of the date of the Settlement Payment has been made, the parties will take all steps to inform the arbitral tribunal that the Arbitration Proceedings have been settled and/or terminated.

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

i) during the Support Period, it will take any actions that are reasonably required to facilitate the Restructuring, including taking all reasonable steps necessary to vote in favor of the Creditors' Scheme;

ii) until expiry of the Support Period or such other period as agreed between the parties, it will not oppose any application by the Company for any adjournment of the petition for the winding up of the Company pending before the Bermuda Court; and

iii) subject to the terms of the Settlement Agreement, it will not, during the Support Period, commence any legal or Arbitration Proceedings or insolvency proceedings against the Company or any of its subsidiaries in relation to the Creditor Debt Documents.

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

1) 31 December 2014 (or such later date as may be agreed between the parties);

2) the date on which a final non appealable order of a governmental body of competent jurisdiction first comes into effect prohibiting the implementation and consummation of the Restructuring;

3) the date on which an order is made in any jurisdiction for the winding up of the Company;

4) the Company's failure, within 5 business days of receipt of a notice from any of the Creditors notifying the Company its intention to treat the Settlement Agreement as having terminated, to withdraw a condition, term or modification of the Restructuring proposed by the Company to the Bermuda Court or the Company's unsecured creditors, the addition of which condition or term to the Restructuring or which modification of the Restructuring would affect certain rights of the Company's unsecured creditors under the Creditors' Scheme as set out in the Settlement Agreement; and

5) the date on which the scheme document is deposited with the Bermuda Registrar of Companies following sanction of the Creditors' Scheme by the Bermuda Court and approval by qualifying majorities of creditors.

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

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

At the hearing held on 6 March 2015 (Bermuda time), the Bermuda Court ordered to extend the long-stop date of the Creditors' Scheme of the Company to 31 July 2015. Further details in respect of the above are included in the Company's announcement dated 9 March 2015.

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

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

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

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

a) on the Agreed Claim Amounts in the Restructuring by way of the Creditors' Scheme as announced by the Company on 25 November 2013;

b) that subject to and upon receipt by the Creditors of the full cash payment under the Creditors' Scheme of HK$0.10 for every HK$1.00 of the Settlement Payment, the parties will be released from all liabilities arising out of or in connection with the Creditor Debt, the Creditor Debt Documents and the subject matter thereof and any previous arrangement between the Company, TSL and the Creditors in relation to the Arbitration Proceedings;

c) that promptly and in any event within three business days of the date of the Settlement Agreement, the parties will take all steps reasonably required to effect a stay of the Arbitration Proceedings; and

d) that promptly and in any event within three business days of the date of the Settlement Payment has been made, the parties will take all steps to inform the arbitral tribunal that the Arbitration Proceedings have been settled and/or terminated.

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

i) during the Support Period, it will take any actions that are reasonably required to facilitate the Restructuring, including taking all reasonable steps necessary to vote in favour of the Creditors' Scheme;

ii) until expiry of the Support Period or such other period as agreed between the parties, it will not oppose any application by the Company for any adjournment of the petition for the winding up of the Company pending before the Bermuda Court; and

iii) subject to the terms of the Settlement Agreement, it will not, during the Support Period, commence any legal or Arbitration Proceedings or insolvency proceedings against the Company or any of its subsidiaries in relation to the Creditor Debt Documents.

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

1) 31 December 2014 (or such later date as may be agreed between the parties);

2) the date on which a final non appealable order of a governmental body of competent jurisdiction first comes into effect prohibiting the implementation and consummation of the Restructuring;

3) the date on which an order is made in any jurisdiction for the winding up of the Company;

4) the Company's failure, within 5 business days of receipt of a notice from any of the Creditors notifying the Company its intention to treat the Settlement Agreement as having terminated, to withdraw a condition, term or modification of the Restructuring proposed by the Company to the Bermuda Court or the Company's unsecured creditors, the addition of which condition or term to the Restructuring or which modification of the Restructuring would affect certain rights of the Company's unsecured creditors under the Creditors' Scheme as set out in the Settlement Agreement; and

5) the date on which the scheme document is deposited with the Bermuda Registrar of Companies following sanction of the Creditors' Scheme by the Bermuda Court and approval by qualifying majorities of creditors.

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

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

At the hearing held on 6 March 2015 (Bermuda time), the Bermuda Court ordered to extend the long-stop date of the Creditors' Scheme of the Company to 31 July 2015. Further details in respect of the above are included in the Company's announcement dated 9 March 2015.

Bermuda Proceedings

On 4 July 2012, the Company received from SPHL a notice to redeem all of the outstanding 555,000,000 Titan preferred shares held by it at a redemption amount equal to the notional value of the Titan preferred shares (being HK$310,800,000) together with any accrued and unpaid dividends. Redemption monies are payable 30 business days after the date of the redemption notice.

On 9 July 2012 (Bermuda time), SPHL served on the Company the SPHL Petition at the Bermuda Court for an order, among other things, to wind up and to appoint a provisional liquidator against the Company. Further details in respect of the above are included in the Company's announcement dated 12 July 2012. The SPHL Petition, which remained undismissed or unstayed for a period of 60 consecutive days (i.e. on or before 6 September 2012 (Bermuda time)), caused an event of default to occur under the Convertible Notes Due 2015 and the PIK Notes Due 2015.

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

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

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

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

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

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

i) the SPHL Petition was struck out, and the Company was awarded the costs of the petition against SPHL from the date upon which its skeleton argument for the Striking Out Application was filed;

ii) SPHL was granted leave to appeal the 10 May Decision;

iii) the Titan Stay Application was dismissed;

iv) Camden was allowed to be substituted as the petitioner in place of SPHL and granted leave to amend the Camden Petition, Camden was also awarded its costs against the Company of the Camden Substitution Application; and

v) the hearing of the Camden Petition was adjourned to 16 August 2013.

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

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

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

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

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

i) until the first hearing in the matter following the hearing of 16 August 2013, an injunction was granted restraining the Company, whether alone or in concert with others, acting through its directors, officers, employees, servants, agents or otherwise, from (i) disposing of any property, including things in action, belonging to the Company, save the payment of salaries, rent, utilities, professional fees or other similar payments in the ordinary course of its business; or (ii) consenting to or approving the disposal of property, including things in action, belonging to any subsidiary (as defined in section 86 of the Companies Act 1981) of the Company, without the approval of the Bermuda Court or without 7 days' written notice of the same to Camden (the "Interim Injunction Order"); and

ii) the Company shall pay Camden's costs of the application for the Interim Injunction.

Further details in respect of the above are included in the Company's announcement dated 20 August 2013.

On 30 August 2013, the Bermuda Court ordered that the Company and Camden to agree on setting up an informal committee of creditors (the "Informal Committee") to facilitate information exchange between the Company and its creditors, failing which the Bermuda Court would make an order in this regard. No agreement was reached between the Company and Camden and hence, the Bermuda Court made an order on 10 September 2013 for the set up of the Informal Committee.

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

The Company made an application for a stay, and filed a motion for leave to appeal, in respect of the order of the Bermuda Court appointing JPLs, both of which were rejected by the Bermuda Court at a hearing on 5 November 2013. Further applications for stay and leave to appeal were made by the Company.

On 12 December 2013, the Company made an application to the Bermuda Court for the discharge of the JPLs appointed to the Company on 18 October 2013 (the "Discharge Application").

The Camden Petition and the Discharge Application were heard by the Bermuda Court on 13 December 2013 (Bermuda time) and the following orders were made by the Bermuda Court:

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

ii) costs of the hearing be awarded to the JPLs to be paid out of the assets of the Company on an indemnity basis; and

iii) the costs of hearing of Camden as the petitioner be reserved.

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

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

i) the JPLs would have the following powers (among others):

   1) to consult with the Company in respect of, and review, on an ongoing basis, all issues relating to feasibility of the restructuring proposal of the Company or any variation thereof, including with respect to the necessary steps which need to be taken, and conditions to be met, in order for such restructuring proposal to be successfully implemented;

   2) to consider the terms of any scheme of arrangement proposed by the Company under the provisions of section 99 of the Act and, if so advised, to report to the Bermuda Court thereon at or before the hearing of the application to convene a scheme meeting. In this regard the Company shall at least seven days prior to any application being made to the Bermuda Court to convene a scheme meeting provide to the JPLs a final draft of the Company's application to convene a scheme meeting;

   3) to review the financial position of the Company and in particular to assess the feasibility of any restructuring proposal of the Company;

   4) to monitor the continuation of the business of the Company by the existing Board;

   5) to monitor, consult with and otherwise liaise with the creditors and shareholders of the Company in determining whether any restructuring proposal will be successfully implemented; and

   6) to see, review and copy books, papers, writings, documents and records in the possession or control of the Company situate in Bermuda or in any other jurisdiction, solely insofar as reasonably necessary to permit the JPLs to exercise and discharge their powers and functions;

ii) save as specifically set out in the order, the JPLs will have no general or additional powers or duties with respect to the property or records of the Company, and the Board will continue to manage the Company's affairs in all respects and exercise the powers conferred upon it by the Company's Memorandum of Association and Bye-laws, provided always that, should the JPLs consider at any time that the Board is not acting in the best interests of the Company and its creditors, the JPLs shall have the power to report the same to the Bermuda Court and seek such directions from the Bermuda Court as the JPLs are advised are appropriate;

iii) the JPLs shall be entitled to receive advance materials, receive advance notice of, and, at the expense of the Company, attend all Board meetings and such meetings of management as the JPLs request;

iv) the Company shall at all times comply with the Funding Terms referred to the letter, dated 13 February 2014, from the JPLs to the Company; and

v) the Company shall procure that any necessary instructions are given to the liquidator of TGIL (the "Liquidator") to ensure that any dividends payable by the Liquidator after the date of the order be paid into an account to be nominated by the JPLs to be held in such account for the benefit of creditors until otherwise directed by the Bermuda Court.

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

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

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

a) the Company be permitted to enter into the Loan Agreement with Fame Dragon;

b) the Camden Petition be adjourned to 17 April 2014; and

c) the Company and the JPLs of the Company be awarded 90% of the costs of the hearing as against Camden in any event of the cause.

Further details in respect of the above are included in the Company's announcement dated 11 March 2014.

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

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

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

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

At the hearings held on 8 August 2014 (Bermuda time), 3 October 2014 (Bermuda time), 31 October 2014 (Bermuda time), 21 November 2014 (Bermuda time), 16 January 2015 (Bermuda time), 13 March 2015 (Bermuda time) and 27 March 2015 (Bermuda time), the Bermuda Court ordered a further adjournment of the Camden Petiton to 3 October 2014 (Bermuda time), 31 October 2014 (Bermuda time), 21 November 2014 (Bermuda time), 16 January 2015 (Bermuda time), 13 March 2015 (Bermuda time), 27 March 2015 (Bemuda time) and 10 April 2015 (Bermuda time), respectively. Further details in respect of the above are included in the Company's announcement dated 11 August 2014, 6 October 2014, 3 November 2014, 25 November 2014, 19 January 2015, 16 March 2015 and 30 March 2015 respectively.

BVI Proceedings

On 18 June 2012, the Company received from Saturn Storage Limited (''SSL'') two notices to exercise its redemption rights under the TGIL convertible preferred shares (the ''TGIL preferred shares'') and TGIL convertible unsecured notes (the ''TGIL Notes Due 2014''), and SSL applied for an order to appoint joint and several 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), TOSIL, a wholly owned subsidiary of the Company and a shareholder of TGIL, filed a notice of appeal at the Court of Appeal of the Eastern Caribbean Supreme Court (the ''BVI Court of Appeal'') against the above order and applied for a stay of execution thereof pending the determination of the appeal. The stay application was subsequently withdrawn. Further details in respect of the above are included in the Company's announcement dated 20 July 2012.

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

The Company, TGIL, TOSIL and SSL have been in negotiations on the BVI proceeding, however, up to the date of this report, the liquidation procedure of TGIL has commenced and the liquidation is not completed.

Hong Kong Proceedings

On 19 July 2012, the Company received from SSL a writ of summons (the ''Writ'') issued in the Court of First Instance in the High Court of the Hong Kong Special Administrative Region (the ''Hong Kong Court'') with an indorsement of claim against the Company and other parties including its wholly owned subsidiary, TOSIL, and two directors of the Company. SSL alleged in the Writ among other things (a) breach of the amended and restated investor rights agreement (the ''IRA'') in respect of TGIL dated 17 July 2009; and (b) misrepresentations regarding the financial position of TGIL, and its subsidiaries. SSL seek, among other remedies, specific performance of the IRA, injunctive relief, declaratory relief, an indemnity, damages, interest and costs. Further details in respect of the above are included in the Company's announcement dated 20 July 2012.

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

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

On 15 November 2013, SSL was ordered by the Hong Kong Court to provide security in various sums for the Defendants' costs of the proceedings. SSL has yet to comply with this order and the proceedings are presently stayed. The Hong Kong proceedings will continue in accordance with the rules of the Hong Kong Court or as otherwise ordered by the Hong Kong Court.

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

The Hong Kong Court fixed a second case management conference for hearing on 21 November 2014 and further adjourned to 13 March 2015. On 12 March 2015, the Hong Kong Court ordered (by consent) that (i) the second case management conference due to be heard on 13 March 2015 be vacated and adjourned to 7 July 2015; and (ii) all further proceedings be stayed until 30 April 2015 pending finalisation of the global settlement among the parties. Further details in respect of the above are included in the Company's announcement dated 25 November 2014 and 30 March 2015 respectively.

PRC Proceedings

On 11 December 2010, the Company entered into (i) the GCL Sale and Purchase Agreement; (ii) a subscription agreement in relation to the issue of subscription shares to Grand China Logistics; and (iii) a management agreement in relation to the engagement of the Company to manage the business operations of Titan Quanzhou Shipyard for the term commencing from the completion of the GCL Sale and Purchase Agreement until 31 December 2012. The consideration for the proposed disposal was RMB1,865,670,000 or a maximum reduced consideration of RMB1,465,670,000 if Titan Quanzhou Shipyard's profit targets for the two years ending 31 December 2012 were not met. Pursuant to a supplemental agreement signed in 2011, such net profit targets were cancelled and the consideration for the proposed disposal was fixed at RMB1,665,670,000 (equivalent to approximately HK$2,123,260,000).

While the requisite regulatory and shareholder's approvals for the first two stage payments totaling RMB800,000,000 were obtained, to date, only RMB740,000,000 has been received and, the equity interests of Titan Quanzhou Shipyard have not been transferred to Grand China Logistics. Further details in respect of the above are included in the Company's announcement dated 18 March 2012.

On 30 May 2012, Titan Fujian received a summons issued by the Shanghai Intermediate Court with Grand China Logistics as plaintiff and the Company and two wholly owned subsidiaries of the Company, Titan TQSL and Titan Fujian, as defendants, that sought an order for, among other things, the termination of the GCL Sale and Purchase Agreement and repayment to Grand China Logistics of an aggregate of RMB740,000,000 together with accrued interest or for the Company to fulfil its obligation under its guarantee to repay such amount. It has also come to the notice of the Company that a restriction might have been imposed on any transfer of the Group's equity interest in Titan Quanzhou Shipyard. As the Company was set up out of the PRC jurisdictions, the Company failed to provide the requested notarised litigation documents to the PRC Court, therefore, the Group has not yet directly received any court order or notice issued under the provisions of applicable law. Further details in respect of the above are included in the Company's announcement dated 12 July 2012.

On 18 June 2012, the Company, Titan TQSL and Titan Fujian filed an objection to the jurisdiction of the Shanghai Intermediate Court and requested that the matter be transferred to the 上海市高级人民法院 (Shanghai Higher People's Court).

Titan Fujian as plaintiff on 23 August 2012 filed with the Shanghai Intermediate Court a statement of counter-claims against Grand China Logistics as defendant to seek, among other remedies, specific performance on the GCL Sale and Purchase Agreement and the supplemental agreements for Grand China Logistics to fulfil its payment obligations thereunder and related damages and costs. The Company and Titan TQSL were to join in the action after they had completed the notarisation of documents as required by the PRC courts for offshore incorporated plaintiffs. Further details in respect of the above are included in the Company's announcement dated 29 August 2012, respectively.

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

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

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

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

On 26 December 2013, the Shanghai Intermediate Court approved the withdrawal of the claim initiated by Grand China Logistics against the Company, Titan TQSL and Titan Fujian in the PRC in relation to the GCL Sale and Purchase Agreement.

Notwithstanding the discontinuation of the proceedings (both with respect to the claim brought by Grand China Logistics and the counterclaim brought by Titan Fujian) in the Shanghai Intermediate Court referred to above, any disposition of the assets of Titan Quanzhou Shipyard remain subject to, among other things, GZE's rights and interests in the indebtedness (the "Indebtedness") owned by Titan Quanzhou Shipyard to the Fuzhou branch of Shanghai Pudong Development Bank Co., Ltd. and the collateral and guarantee granted in respect of the Indebtedness (the "Securities"). Titan Quanzhou Shipyard had been in default on its payment obligations under the Indebtedness and the Securities and liable to be enforced by GZE. Further details in respect of the above are included in the Company's announcement dated 14 January 2014.

The GCL Sale and Purchase Agreement will be terminated subject to certain terms and conditions. Further details of the termination will be disclosed in a separate announcement to be released by the Company.

Other than the contingent liabilities as disclosed above, the Group and the Company had no other material contingent liabilities as at 31 December 2014 and 31 December 2013.

45. Material related party transactions

Save as disclosed elsewhere in these consolidated financial statements and in the directors' report under heading of "Connected Transactions", the Group had the following material transactions with related parties during 2014 and 2013:

i) Guarantees to GZE

At 31 December 2014, a personal guarantee and security of certain shares of the Company were provided by one of the former directors of the Company to GZE in connection with loans of RMB1,526,742,000 (equivalent to approximately HK$1,946,165,000) (2013: RMB1,429,497,000 (equivalent to approximately HK$1,828,812,000)) granted to Titan Quanzhou Shipyard.

ii) Loans from the ultimate holding company

At 31 December 2014, 嵊泗海鑫石油有限公司 (Shengsi Haixin Petroleum Co., Ltd) ("Shengsi Haixin") had a loan from GZE in the principal amount of RMB36,367,000 (equivalent to approximately HK$46,358,000 (2013: RMB35,479,000 (equivalent to approximately HK$45,389,000)) and interest accrued of RMB1,497,000 (equivalent to approximately HK$1,909,000) (2013: RMB204,000 (equivalent to approximately HK$261,000)). The loan was unsecured, carried at basic lending rate of People's Bank of China under same period and same grade and repayable beyond one year.

At 31 December 2014, 广州泰山石化有限公司 (Guangzhou Titan Petrochemicals Co., Ltd.) ("Guangzhou Titan") had a loan from GZE in the principal amount of RMB43,880,000 (equivalent to approximately HK$55,935,000) (2013: RMB39,000,000 (equivalent to approximately HK$49,894,000)) and interest accrued of RMB1,807,000 (equivalent to approximately HK$2,303,000) (2013: RMB3,719,000) (equivalent to approximately HK$4,758,000)). The loan was guaranteed by 泉州振戎石化码头有限公司 (formerly known as 泉州泰山石化码头发展有限公司), 广州南沙振戎仓储有限公司 (formerly known as 南方石化仓储(广州南沙)有限公司 and 广州南沙泰山石化发展有限公司) and Titan Quanzhou Shipyard, carried at basic lending rate of People's Bank of China under same period and same grade and repayable beyond one year.

On 28 October 2013, the Company received a notice issued by the Guangdong Province branch of China Cinda Asset Management Co., Ltd ("China Cinda") to Titan Quanzhou Shipyard whereby China Cinda informed Titan Quanzhou Shipyard that it has transferred to GZE the rights and interests in (i) the Indebtedness owed by Titan Quanzhou Shipyard; and (ii) the collateral and guarantee granted in respect of the Indebtedness in (i) above. At 31 December 2014, the loan due to GZE was RMB1,526,742,000 (equivalent to approximately HK$1,946,165,000) (31 December 2013: RMB1,429,497,000 (equivalent to approximately HK$1,828,812,000)) and interest accrued of RMB62,857,000 (equivalent to approximately HK$80,125,000) (31 December 2013: RMB67,042,000 (equivalent to approximately HK$85,769,000)). The loan was secured, carried at basic lending rate of People's Bank of China under same period and same grade and repayable beyond one year.

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

iii) Loans from the immediate holding company

At 31 December 2014, the Group had loans from Fame Dragon in the principal amount of HK$51,681,000 (2013: HK$3,000,000), interest accrued of HK$543,000 (2013: HK$27,000).

The loans were unsecured, carried interest at 2% per annum and were repayable from 2 to 5 years from the dates of entering into the loan agreements. The accrued interest is interest-free, unsecured and was repayable together with the principal when due. However, as the Company has triggered the events of default as detailed in note 36, the loans from the immediate holding company of HK$3,000,000 was then presented as current liabilities as at 31 December 2014.

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

iv) Amounts due to the ultimate holding company

At 31 December 2014, the Group had an amount due to GZE of RMB740,000,000 (equivalent to approximately HK$943,291,000) (2013: RMB740,000,000 (equivalent to approximately HK$946,711,000)) in respect of the Company entered into an assignment of the sale and purchase of the 95% equity interest in Titan Quanzhou Shipyard with GZE. The balance was unsecured, interest-free and had no fixed terms of repayment.

Further details in respect of above are included in the Company's announcements dated 25 November 2013, 30 December 2013, 14 January 2014 and 5 February 2014.

v) Tenancy agreement with Titan Oil Pte Ltd ("Titan Oil")

In 2011, the Group entered into a tenancy agreement with the former ultimate holding company, Titan Oil for the lease of office premises for a term of three years commencing from 1 January 2011 until 31 December 2013. During the year ended 31 December 2013, the Group paid total rent of SG$27,000 (equivalent to approximately HK$169,000) for the lease of the office premises, which was charged based on prevailing market rates. No rent was paid to Titan Oil during the year ended 31 December 2014.

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

At 31 December 2014, the Group had an amount due from a Company which is owned by Mr. Tsoi Tin Chun (the former Chairman and director of the Company) of RMB874,000 (equivalent to approximately HK$1,114,000) (2013: RMB874,000 (equivalent to approximately HK$1,118,000)), however, based on estimated irrecoverable amounts determined by reference to past experience, the Group recognised an impairment loss of RMB874,000 (equivalent to approximately HK$1,114,000) (2013: Nil). At 31 December 2014, the Group also had an amount due to a Company which is owned by Mr. Tsoi Tin Chun (the former Chairman and director of the Company) of RMB14,319,000 (equivalent to approximately HK$18,253,000) (2013: RMB14,319,000 (equivalent to approximately HK$18,319,000)) which were unsecured, interest-free and had no fixed terms of repayment.

vii) Compensation of key management personnel of the Group

	2014	**2013**
	HK$'000	*HK$'000*
Short term employee benefits	11,116	10,855
Post-employment benefits	68	45
Total compensation paid to key management personnel	11,184	10,900

Further details of directors' emoluments are included in note 10 to the financial statements.

46. Financial instruments by category

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

The Group

Financial assets

	Financial assets at fair value through profit or loss		**Loans and receivables**		**Total**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accounts receivable	–	–	–	181	–	181
Financial assets included in deposits and other receivables	–	–	142,508	157,649	142,508	157,649
Pledged deposits and restricted cash	–	–	26,520	487,059	26,520	487,059
Cash and cash equivalents	–	–	1,315	19,664	1,315	19,664
	–	–	170,343	664,553	170,343	664,553

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accounts payable	–	–	217,731	351,408	217,731	351,408
Financial liabilities included in other payables and accruals	–	–	767,475	4,519,212	767,475	4,519,212
Interest-bearing bank and other loans	–	–	5,850	5,850	5,850	5,850
Loans from the ultimate holding company	–	–	102,293	95,283	102,293	95,283
Loans from the immediate holding company	–	–	51,681	3,000	51,681	3,000
Amounts due to the ultimate holding company	–	–	947,503	951,730	947,503	951,730
Amount due to the immediate holding company	–	–	543	27	543	27
Senior Notes Due 2012	–	–	882,329	962,062	882,329	962,062
Convertible Notes Due 2015	–	–	441,753	499,693	441,753	499,693
PIK Notes Due 2015	–	–	88,657	100,243	88,657	100,243
Liability portion of Titan preferred shares	–	–	420,717	406,110	420,717	406,110
K-Line Notes Due 2013	–	–	202,896	227,292	202,896	227,292
	–	–	4,129,428	8,121,910	4,129,428	8,121,910

The Company

Financial assets

	Financial assets at fair value through profit or loss		Loans and receivables		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets included in deposits and other receivables	–	–	124	14	124	14
Cash and cash equivalents	–	–	295	261	295	261
	–	–	419	275	419	275

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost		Total	
	2014	2013	2014	2013	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to subsidiaries	–	–	2,767	9,464	2,767	9,464
Financial liabilities included in other payables and accruals	–	–	281,862	131,271	281,862	131,271
Financial guarantee contracts	–	–	321,996	346,978	321,996	346,978
Loans from the immediate holding company	–	–	51,681	3,000	51,681	3,000
Amounts due to the ultimate holding company	–	–	943,291	946,711	943,291	946,711
Amount due to the immediate holding company	–	–	543	27	543	27
Senior Notes Due 2012	–	–	882,329	962,062	882,329	962,062
Convertible Notes Due 2015	–	–	441,753	499,693	441,753	499,693
PIK Notes Due 2015	–	–	88,657	100,243	88,657	100,243
Liability portion of Titan preferred shares	–	–	420,717	406,110	420,717	406,110
	–	–	3,435,596	3,405,559	3,435,596	3,405,559

Note: The above table and the analyses below ended excluded the respective items classified as held in sale.

47. Fair value and fair value hierarchy

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

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

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

Fair value hierarchy

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

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets and liabilities measured at fair value:

The Group and the Company did not have any financial assets nor liabilities measured at fair value as at 31 December 2014 and 2013.

48. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank and other loans, Senior Notes Due 2012, Convertible Notes Due 2015, PIK Notes Due 2015, K-Line Notes Due 2013, loans from the immediate holding company, loans from the ultimate holding company, cash and bank balances, and short term time deposits. The main purpose of these financial instruments is to raise and/or retain funds for the Group's operations. The Group has various other financial assets and liabilities such as deposits and other receivables and accounts payable, which arise directly from its operations.

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

Interest rate risks

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

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

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

	Increase/ (decrease) in basis points	**(Decrease)/ increase in profit before tax (increase)/ decrease in loss before tax** *HK$'000*
2014		
RMB	29	(757)
RMB	(29)	757
2013		
United States dollar ("US$")	10	(6)
US$	(10)	6

Credit risks

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

The credit risks of the Group's other financial assets, which comprise cash and cash equivalents, pledged deposits and restricted cash, deposits and other receivables, arise from default of the counterparty, with a maximum exposure equal to the carrying amounts of such instruments. The Company is also exposed to credit risks through the granting of financial guarantees, further details of which are disclosed in note 43 to the consolidated financial statements.

Apart from receivable from the liquidator of TGIL (as stated in note 23), the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Concentration of credit risk related to that the receivable from the liquidator of TGIL did not exceed 5% of the Group's total assets at any time during the year.

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

Further quantitative data in respect of the Group's exposure to credit risks arising from accounts receivable are disclosed in note 22 to the consolidated financial statements.

Liquidity risks

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

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

The Group

	Weighted average effective interest rate		On demand or within one year		Over one year		Total		Total carrying amount	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	%	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Accounts payable	–	–	217,731	351,408	–	–	217,731	351,408	217,731	351,408
Financial liabilities included in other payables and accruals	–	–	767,475	4,519,600	–	–	767,475	4,519,600	767,475	4,519,212
Interest-bearing bank and other loans	0.00	6.63	5,850	5,850	–	–	5,850	5,850	5,850	5,850
Loans from the ultimate holding company	6.09-7.03	5.60-7.84	–	95,283	102,293	–	102,293	95,283	102,293	95,283
Loans from the immediate holding company	2.00	2.00	3,000	–	48,681	3,000	51,681	3,000	51,681	3,000
Amounts due to the ultimate holding company	–	–	953,881	958,273	23,046	–	976,927	958,273	947,503	951,730
Amount due to the immediate holding company	–	–	147	87	1,950	–	2,097	87	543	27
Senior Notes Due 2012	0.00	8.50	882,329	1,032,254	–	–	882,329	1,032,254	882,329	962,062
Convertible Notes Due 2015	0.00	12.22	441,753	543,069	–	–	441,753	543,069	441,753	499,693
PIK Notes Due 2015	0.00	8.50	88,657	105,554	–	–	88,657	105,554	88,657	100,243
Liability portion of Titan preferred shares	4.70	4.70	420,717	406,110	–	–	420,717	406,110	420,717	406,110
K-Line Notes Due 2013	0.00	2.00	202,896	231,770	–	–	202,896	231,770	202,896	227,292
			3,984,436	8,249,258	175,970	3,000	4,160,406	8,252,258	4,129,428	8,121,910

The Company

	Weighted average effective interest rate		On demand or within one year		Over one year		Total		Total carrying amount	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	%	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amounts due to subsidiaries	–	–	2,767	9,464	–	–	2,767	9,464	2,767	9,464
Financial liabilities included in other payables and accruals	–	–	281,862	131,358	–	–	281,862	131,358	281,862	131,271
Financial guarantee contracts	–	–	321,996	346,978	–	–	321,996	346,978	321,996	346,978
Loans from the immediate holding company	2.00	2.00	3,000	–	48,681	3,000	51,681	3,000	51,681	3,000
Amounts due to the ultimate holding company	–	–	943,291	946,711	–	–	943,291	946,711	943,291	946,711
Amount due to the immediate holding company	–	–	147	87	1,950	–	2,097	87	543	27
Senior Notes Due 2012	0.00	8.50	882,329	1,032,254	–	–	882,329	1,032,254	882,329	962,062
Convertible Notes Due 2015	0.00	12.22	441,753	543,069	–	–	441,753	543,069	441,753	499,693
PIK Notes Due 2015	0.00	8.50	88,657	105,554	–	–	88,657	105,554	88,657	100,243
Liability portion of Titan preferred shares	4.70	4.70	420,717	406,110	–	–	420,717	406,110	420,717	406,110
			3,386,519	3,521,585	50,631	3,000	3,437,150	3,524,585	3,435,596	3,405,559

Foreign currency risks

The Group's foreign currency exposure in operations are minimal in view of the natural hedge between costs and revenues which are primarily in RMB in the PRC and US$ and Singapore dollar (the "SG$") for businesses in Singapore.

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

		Increase/ (decrease) in profit before tax decrease/ (increase) in loss before tax
	%	HK$'000
2014		
If RMB weakens against HK$	2.51	23,679
If SG$ weakens against HK$	4.31	109
		23,788
If RMB strengthens against HK$	2.51	(23,679)
If SG$ strengthens against HK$	4.31	(109)
		(23,788)
2013		
If RMB weakens against HK$	2.73	25,058
If RMB strengthens against HK$	2.73	(25,058)

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

The Group monitors capital using gearing ratios, which is total debts divided by total assets, including the respective items classified as held for sale. The gearing ratios as at the end of the reporting periods were as follows:

	The Group	
	2014	**2013**
	HK$'000	*HK$'000*
Interest-bearing bank and other loans	271,508	705,520
Senior Notes Due 2012	882,329	962,062
Convertible Notes Due 2015	441,753	499,693
PIK Notes Due 2015	88,657	100,243
K-Line Notes Due 2013	202,896	227,292
Loans from the ultimate holding company	2,048,458	1,924,095
Loans from the immediate holding company	51,681	3,000
Total debts	3,987,282	4,421,905
Total assets	3,203,978	3,654,882
Gearing ratio	124%	121%

49. Dividends

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2014 (2013: Nil).

50. Comparative amounts

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

51. Events after the reporting period

Listing status

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

The Company has submitted the Resumption Proposal on 5 May 2014 (and the updated versions of the Resumption Proposal in response to the comments from the Stock Exchange have been submitted on 10 June 2014, 22 August 2014, 16 September 2014, 10 October 2014 and 25 November 2014 respectively). As disclosed in the Company's announcement dated 2 December 2014, the Board

announced that as informed by a letter dated 1 December 2014, the Stock Exchange has decided to allow the Company to proceed with the Resumption Proposal subject to satisfying the following conditions by 31 May 2015:

1) completion of the transactions under the Resumption Proposal;

2) completion of the internal control review indicating no material deficiency;

3) withdrawal or dismissal of the winding up petition and discharge of the JPLs;

4) inclusion in a circular to the Shareholders:

   a) a profit forecast for the two years ending 31 December 2015 and 2016 together with reports from the auditors and the financial adviser under Rules 14.62(2) and (3) of the Listing Rules;

   b) a pro forma balance sheet upon completion of the Resumption Proposal; and

   c) a statement from the Directors (including the proposed directors) confirming working capital sufficiency for at least 12 months from trading resumption and a comfort letter from the auditors on the Directors' statement.

Management Service Agreement

On 9 April 2014, the Company, Titan Quanzhou Shipyard and FELS Offshore Pte Ltd ("FELS") entered into a management services agreement (the "Management Service Agreement"), pursuant to which FELS has conditionally agreed to provide management services for the operations of the shipyard in Quanzhou, the PRC owned by Titan Quanzhou Shipyard for a return of (i) a fixed annual fee; and (ii) a variable fee, being a percentage of the net revenue. The Management Services Agreement is subject to the satisfaction of certain conditions precedent, of which is all regulatory requirements, registrations or formalities required for the deed of undertaking to be executed by GZE, in favour of FELS and all of its related corporations (collectively, the "Keppel Group"), pursuant to which GZE will provide certain undertakings and guarantees to and for the benefit of FELS and all members of the Keppel Group having been complied with or obtained. Details of the Management Service Agreement were set out in the Company's announcements dated on 1 April 2014, 11 April 2014, 14 April 2014 and 15 April 2014 respectively.

Pursuant to the terms of the Management Services Agreement, a supplemental agreement has been entered into on 30 December 2014 to extend the long stop date under the Management Services Agreement from 31 December 2014 to 31 May 2015. Apart from the above, all other terms and conditions of the Management Services Agreement shall remain unchanged.

The Share Subscription Agreements

The Company entered into three subscription agreements with CGL Resources, New Berkeley and Wahen Investments (together with CGL Resources Limited ("CGL Resources"), New Berkeley Corporation ("New Berkeley") and Wahen Investments Limited ("Wahen Investments"), collectively, the "Subscribers") on 9 April 2013, 9 April 2013 and 29 April 2013, respectively, in relation to the subscription by the Subscribers of convertible bonds to be issued by the Company.

The relevant convertible bonds subscription agreements lapsed and the Subscribers separately entered into Share Subscription Agreements with the Company on 5 May 2014. The completions of the Share Subscription Agreements were subject to the fulfillment of certain conditions precedent on or before 31 December 2014 (the "Long Stop Date").

On 25 February 2015, The Company announced that as advised by FEG, CGL Resources and New Berkeley will not extend the Long Stop Date and therefore the relevant Share Subscription Agreements lapsed and became null and void. The Company is still in discussion with Wahen Investments for the extension of the Long Stop Date. Further details in respect of the above are included in the Company's announcement dated 25 February 2015.

On 27 March 2015, a subscription agreement has been entered into between the Company and Victory Stand Limited ("Victory Stand Subscription Agreement"), for the subscription of certain shares together with unlisted warrants of the Company. The major terms and conditions of the Victory Stand Subscription Agreement are substantially, the same as those under the share subscription agreements dated 5 May 2014 entered into by the Company with CGL Resources and New Berkeley. Details of the subscription agreement will be disclosed in the announcement to be released by the Company in due course. Further details in respect of the above are included in the Company's announcement dated 30 March 2015.

Loan agreement with Fame Dragon

On 27 February 2015, the Company entered into a loan agreement with Fame Dragon pursuant to which Fame Dragon agreed to provide a financing on request of the Company of US$10 million (equivalent to approximately HK$78 million) at an interest rate of 2% payable on maturity, repayable upon (i) 2 years or (ii) completion of the Creditors' Scheme and received dividends payable by the Liquidators of TGIL, whichever occurs earlier. The loan is unsecured. Pursuant to the loan agreement, the loan was to support the restructuring of the debts of the Company.

The Company has entered into certain agreements in relation to settlement of outstanding debts of the Group. Further announcement(s) will be made by the Company as and when appropriate.

Creditors' Scheme

By an order dated 15 September 2014, the Bermuda Court directed the Scheme Meetings of the Scheme Creditors which were then held on 22 October 2014. The Bermuda Court has ordered the Scheme Meetings with the Note Creditors and Non-Note Creditors respectively. During the Scheme Meetings, a majority in number of the Scheme Creditors present and voting, representing not less than three-fourths in value of the accepted claims of the Scheme Creditors present and voting, have voted in favor to the Creditors' Scheme. Accordingly, the Creditors' Scheme was duly approved at the Scheme Meetings.

By an order dated 5 November 2014 (Bermuda time), the Bermuda Court sanctioned the proposed Creditors' Scheme between the Company and its Scheme Creditors. The Creditors' Scheme became effective and binding on the Company and all of the Scheme Creditors on 5 November 2014 (Bermuda time), upon the delivery of a copy of the order to the Bermuda Registrar of Companies.

Pursuant to the terms of the Creditors' Scheme, the Bar Time was set on 5 February 2015. In order to be entitled to receive consideration under the Creditors' Scheme in respect of any accepted liabilities:–

i) Each Note Creditor must ensure that a duly completed account holder letter is prepared by the relevant account holder and lodged with the information agent prior to the Bar Time; and

ii) Each Non-Note Creditor must ensure that a duly completed notice of claim is submitted to the information agent prior to the Bar Time.

The Scheme Creditors who fail to submit an account holder letter or notice of claim prior to the Bar Time shall have no entitlement to Scheme Consideration under the Scheme.

At the hearing held on 6 March 2015 (Bermuda time), the Bermuda Court ordered to extend the long-stop date to 31 July 2015. Details of the above were set in the Company's announcement dated 22 September 2014, 22 October 2014, 6 November 2014, 12 November 2014, 18 February 2015, 3 March 2015, 9 March 2015 and 16 March 2015.

52. Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2015.

2. INDEBTEDNESS STATEMENT

At the close of business on 31 March 2015, being the latest practicable date for ascertaining this information prior to the printing of this circular, the Restructured Group had aggregate outstanding borrowings of approximately HK$4,536 million, accounts payable of approximately HK$311 million, amounts due to the ultimate holding company of approximately HK$944 million (including RMB740 million (equivalent to approximately HK$941 million) under the Shipyard Termination Agreement), amounts due to deconsolidated companies of approximately HK$503 million, amount due to the deconsolidated jointly-controlled entity of approximately HK$174 million and other payables and accruals of approximately HK$515 million respectively.

Borrowings comprised of guaranteed and secured loan and accrued interests from the ultimate holding company of approximately HK$1,940 million and approximately HK$109 million respectively, guaranteed and unsecured loan and accrued interests from the ultimate holding company of approximately HK$102 million and approximately HK$6 million respectively, guaranteed and unsecured bank loan of approximately HK$6 million, unsecured loans and its accrued interest from the immediate holding company of approximately HK$59 million and approximately HK$1 million, the 2012 Senior Notes with a par value of HK$826 million and a carrying value of approximately HK$882 million, Listco Convertible Notes with a par value of HK$374 million and a carrying value approximately HK$442 million, guaranteed and PIK Notes Due 2015 with a par value of HK$85 million and a carrying value of approximately HK$89 million, K-Line Notes with a par value of HK$195 million and a carrying value of approximately HK$203 million, and Listco Preferred Shares with a par value of HK$310.8 million and a carrying value of HK$424 million, and other secured loans and its accrued interest of approximately HK$265 million and approximately HK$8 million respectively.

The Restructured Group's borrowings were secured by the construction in progress, machinery, buildings, prepaid land/seabed lease payments, investment property, shares of certain subsidiaries, certain Company's shares owned by a related party of the Company, personal guarantees executed by a related party and a former director of the Company and corporate guarantees executed by the Company and its subsidiaries.

Save as aforesaid and apart from normal trade payables in the ordinary course of business, other payables and accruals, none of the entities of the Group had any debt securities which are issued and outstanding, or authorised or otherwise created but unissued term loans, other borrowings or indebtedness including bank overdrafts loans or other similar indebtedness liabilities under acceptances (other than normal trade bills) acceptance credits or hire purchase commitments, mortgage, charges, activities or other material contingent liabilities as at the close of business on 31 March 2015.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account of the proceeds from the Open Offer and Share Subscriptions, cash flow from operation of the Group, the Group would have sufficient working capital to satisfy its present requirements of the next twelve months from the date of Resumption.

4. MATERIAL CHANGES

The Directors confirm that, save as the impact of the Resumption Proposal, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2014, being the date to which the last published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECT

As mentioned above, trading in the Shares on the Stock Exchange was suspended since 9:00 a.m. on 19 June 2012.

Subject to the completion of the transactions contemplated under the Restructuring and the trading in the Shares being resumed, it is expected that the financial position of the Company will be regularised. With the enhanced financial position, the existing business of the Company is expected to be continued in an expanded scale.

6. AUDIT QUALIFICATIONS

The below sets forth the qualification opinions as extracted from the annual reports of the Company for each of the three year ended 31 December 2012, 2013 and 2014:

For the year ended 31 December 2012

(a) Scope limitation – Subsidiaries operated in Singapore

Included in the consolidated financial statements of the Group is financial information in respect of subsidiaries which operated in Singapore (the "Singapore Subsidiaries"). As disclosed in note 2.1 to the consolidated financial statements, partial books and records of the Singapore Subsidiaries were unable to be located as a consequence of the re-location of their offices and servers, the resignations of key management, operation and accounting personnel and records have been under control of liquidator. Consequently, we were unable to obtain sufficient appropriate audit evidence in respect of the financial information of the Singapore Subsidiaries as set out below which has been included in the consolidated financial statements of the Group for the year ended 31 December 2012:

	HK$'000
Included in the consolidated income statement:	
Revenue	272,744
Finance costs	1,684
Impairment of accounts receivables	6,697
Impairment of prepayments, deposits and other receivables	32,053
Included in the consolidated statement of financial position:	
Accounts payable	322,243
Other payables and accruals	78,820

We were unable to obtain sufficient appropriate audit evidence regarding the above because (i) there was inadequate documentary evidence available for us to verify the identity and nature of the above transactions and balances; (ii) we were unable to carry out any effective confirmation procedures for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to carry out any substantive procedures in relation to the above transactions and balances; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above transactions and balances were free from material misstatement. Consequently, we were unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence of any other significant transactions, inter-group transactions, contingent liabilities, commitments, related party transactions and subsequent events relating to the Singapore Subsidiaries and the Group. Any adjustments that might have

been found to be necessary in respect of the above would have a consequential significant effect on the Group's net liabilities as at 31 December 2012 and the loss and cash flows of the Group for the year ended 31 December 2012 and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant non-adjusting subsequent events relating to the Singapore Subsidiaries.

(b) Scope limitation – Prepayments, deposits and other receivables

Included in the prepayments, deposits and other receivables in the consolidated statement of financial position of the Group as at 31 December 2012 were other receivables of approximately HK$10,284,000 ("Other Receivables"). We were unable to obtain sufficient appropriate audit evidence regarding the Other Receivables because (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Other Receivables; (ii) we were unable to carry out any effective confirmation procedures in relation to the Other Receivables for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the Other Receivables were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Other Receivables were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balances of the Group's other receivables, the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

(c) Scope limitation – Assets and liabilities of a disposal group classified as held for sale

(1) Scope limitation – Impairment of goodwill of a disposal group classified as held for sale

As disclosed in note 5 to the consolidated financial statements, included in the loss for the year from discontinued operations for the year ended 31 December 2012 was the impairment of goodwill of approximately HK$570,618,000 in relation to subsidiaries engaged in the ship building business. The directors are of the opinion that the carrying amount of the goodwill in the consolidated statement of financial position exceeded its recoverable amount, and therefore, based on a valuation report and cash flow forecast of the ship building business as at the end of the reporting period, an impairment loss on goodwill of approximately HK$570,618,000 was made. However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the reasonableness of the bases and assumptions used in arriving at the discounted cash flow forecast performed as at the end of the reporting period and therefore, as to whether the carrying amount and impairment loss on goodwill for the year ended 31 December 2012 are fairly stated. Any adjustment to the carrying amount and the impairment loss on goodwill for the year ended 31 December 2012 would have a consequential impact on the loss from discontinued

operations for the year ended 31 December 2012, the balances of the Group's assets of a disposal group classified as held for sale, the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

(2) Scope limitation – Impairment of property, plant and equipment and prepaid land/seabed lease payments of a disposal group classified as held for sale

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position as at 31 December 2012 was the property, plant and equipment and prepaid land/seabed lease payments of a disposal group classified as held for sale (the "Property, Plant and Equipment and Prepaid Lease Payments") with net carrying amounts of approximately HK$2,020,624,000 and HK$306,019,000 respectively and related deferred tax liabilities of approximately HK$58,658,000. The directors are of the opinion that the carrying amounts of the Property, Plant and Equipment and Prepaid Lease Payments in the consolidated statement of financial position exceeded their recoverable amounts and therefore, impairment losses on the Property, Plant and Equipment and Prepaid Lease Payments of approximately HK$1,100,912,000 was made during the year ended 31 December 2012. Fair values less costs to sell were determined by the cost approach and the sales comparison approach and were used to determine the recoverable amounts of the Property, Plant and Equipment and Prepaid Lease Payments with reference to valuation reports. However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the reasonableness of the bases and assumptions used in arriving at the recoverable amounts of the Property, Plant and Equipment and Prepaid Lease Payments as at the end of the reporting period and therefore, as to whether the carrying amounts and the impairment losses on the Property, Plant and Equipment and Prepaid Lease Payments for the year ended 31 December 2012 are fairly stated. Any adjustment to the carrying amounts and impairment losses on the Property, Plant and Equipment and Prepaid Lease Payments for the year ended 31 December 2012 would have a consequential impact on the loss from discontinued operations for the year ended 31 December 2012, the balances of the Group's assets and liabilities of a disposal group classified as held for sale, the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

(3) Scope limitation – Prepayments, deposits and other receivables of a disposal group classified as held for sale

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2012 were prepayments, deposits and other receivables in respect of Titan Quanzhou Shipyard Company Limited ("QZ Shipyard"), which is the disposal group classified as held for sale, of approximately HK$51,625,000 and included in the consolidated

income statement was impairment of the prepayments, deposits and other receivables of QZ Shipyard of approximately HK$107,013,000 (''Prepayments, Deposits and Other Receivables of the QZ Shipyard''). We were unable to obtain sufficient appropriate audit evidence regarding the Prepayments, Deposits and Other Receivables of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Prepayments, Deposits and Other Receivables of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to the Prepayments, Deposits and Other Receivables of the QZ Shipyard for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the Prepayments, Deposits and Other Receivables of the QZ Shipyard were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Prepayments, Deposits and Other Receivables of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets of a disposal group classified as held for sale, the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

(4) Scope limitation – Accounts and bills payables of a disposal group classified as held for sale

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2012 were accounts and bills payables of the QZ Shipyard of approximately HK$88,335,000 owned to suppliers of the QZ Shipyard (the ''Accounts and Bills Payables of the QZ Shipyard''). We were unable to obtain sufficient appropriate audit evidence regarding the Accounts and Bills Payables of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Accounts and Bills Payable of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to Accounts and Bills Payables of the QZ Shipyard for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Accounts and Bills Payables of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balance of the Group's liabilities directly associated with the assets classified as held for sale, the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

(5) Scope limitation – Other payables and accruals of a disposal group classified as held for sale

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2012 were other payables and accruals of the QZ Shipyard of approximately HK$313,546,000 (the "Other Payables and Accruals of the QZ Shipyard"). We were unable to obtain sufficient appropriate audit evidence regarding the Other Payables and Accruals of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Other Payables and Accruals of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to the Other Payables and Accruals of the QZ Shipyard for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Other Payables and Accruals of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balance of the Group's liabilities directly associated with the assets classified as held for sale, the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

(d) Scope limitation – Interests in associates

As disclosed in note 5 to the consolidated financial statements was the Group's share of profits of associates of approximately HK$8,538,000 for the year ended 31 December 2012 and as disclosed in note 9 to the consolidated financial statements, the interests in associates of approximately HK$313,553,000 was included in the net assets of a jointly-controlled entity deconsolidated during the year ended 31 December 2012. We were unable to obtain sufficient appropriate audit evidence regarding the interests in associates and share of profits of associates because (i) we were unable to access the financial information of the associates and therefore, there was no documentary evidence available for us to carry out any procedures in relation to the interests in associates and share of profits of associates for the purpose of our audit; and (ii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the interests in associates and share of profits of associates were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the loss from discontinued operations of the Group for the year ended 31 December 2012, the Group's net liabilities as at 31 December 2012, and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

(e) Scope limitation – Amounts due from/to holding companies of a deconsolidated jointly-controlled entity

Included in the balances of other payables and accruals in the consolidated statement of financial position as at 31 December 2012 was amount due to a deconsolidated jointly-controlled entity of approximately HK$175,867,000 (''Amounts with the Jointly-Controlled Entity''). As disclosed in note 9 to the consolidated financial statements, included in the net assets of the jointly-controlled entity deconsolidated during the year ended 31 December 2012 were amounts due from holding companies of approximately HK$171,454,000, amounts due to holding companies of approximately HK$164,249,000 and impairment on amount due from the deconsolidated jointly-controlled entity of approximately HK$161,412,000 (the ''Amounts with Holding Companies''). We were unable to obtain sufficient appropriate audit evidence regarding the Amounts with the Jointly-Controlled Entity and the Amounts with Holding Companies because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Amounts with the Jointly-Controlled Entity and the Amounts with Holding Companies; (ii) we were unable to carry out any effective confirmation procedures in relation to the Amounts with the Jointly-Controlled Entity and the Amounts with Holding Companies for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Amounts with the Jointly-Controlled Entity and the Amounts with Holding Companies were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balances of the Group's other payables and accruals as at 31 December 2012, the loss from discontinued operations of the Group for the year ended 31 December 2012, the Group's net liabilities at as 31 December 2012, and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

(f) Scope limitation – Financial guarantee contracts and commitments

Included in the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 31 December 2012 were financial guarantee contracts of approximately HK$2,361,000 and HK$102,117,000 respectively, which represented financial guarantee contracts issued by the Group. As disclosed in note 41 to the consolidated financial statements were commitments committed by the Group. We are unable to obtain sufficient appropriate audit evidence regarding the financial guarantee contracts and commitments committed by the Group because (i) there was inadequate documentary evidence for us to verify whether all financial guarantee contracts and commitments committed by the Group were included in the consolidated financial statements of the Group and the financial statements of the Company as at 31 December 2011 and 2012; (ii) there was inadequate documentary evidence for us to satisfy ourselves the measurements of the financial guarantee contracts and commitments for the years ended 31 December 2011 and 2012 were appropriate; (iii) we were unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence of any other significant financial guarantee contracts and commitments committed by the Company and the Group; and (iv) there were no alternative audit

procedures that we could perform to satisfy ourselves as to whether the above transactions were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's and the Company's net assets and net liabilities at 31 December 2011 and 2012 respectively, the Company's interests in subsidiaries and consequently net loss and cash flows of the Group and the Company for the years ended 31 December 2011 and 2012, and the related disclosures thereof in the consolidated financial statements.

(g) Scope limitation – Events after the reporting period

In light of the matters above, we were unable to obtain sufficient appropriate audit evidence regarding the events after the reporting period because there was inadequate documentary evidence available for us to verify the occurrence, accuracy and completeness of the significant transactions or events which may have occurred between the period from 1 January 2013 to the date of this auditors' report as required under the Hong Kong Standard on Auditing 560 "Subsequent Events" issued by the HKICPA. There were no practical alternative procedures that we could perform over the significant transactions which occurred during the period from 1 January 2013 to the date of this auditors' report.

Any adjustments that might have been found necessary may have an effect on the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

(h) Scope limitation – Related party transactions

In light of the matters above, we were unable to obtain sufficient appropriate audit evidence regarding the related party transactions disclosures because there was inadequate documentary evidence available for us to verify the occurrence, accuracy and completeness of the related party transactions which may have occurred during the year ended 31 December 2012 as required under the Hong Kong Standard on Auditing 550 "Related Parties" issued by the HKICPA. There were no practical alternative procedures that we could perform over the related party transactions which occurred during the year ended 31 December 2012.

Any adjustments that might have been found necessary may have an effect on the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

(i) Scope limitation – Opening balances and corresponding figures

In light of the matters above, there was inadequate documentary evidence available for us to verify the opening balances and corresponding figures for the year ended 31 December 2011 in accordance with Hong Kong Standard on Auditing 510 "Initial Audit Engagements – Opening Balances" issued by the HKICPA. In addition, the auditors' report dated 11 May 2012 issued by the previous auditors in respect of their audit of the consolidated financial statements of the Group for the year ended 31 December 2011 was disclaimed in view as a result of scope limitation based on reasons summarised in the basis for disclaimer of opinion paragraphs therein.

As a result of the above, we were unable to obtain sufficient appropriate audit evidence regarding the opening balances and corresponding figures and there were no alternative audit procedures to satisfy ourselves as to whether the opening balances and corresponding figures were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets and liabilities as at 31 December 2011 and 2012 and its results for the years ended 31 December 2011 and 2012, and the presentation and disclosure thereof in the consolidated financial statements.

Any adjustments or additional disclosures found to be necessary in respect of the above matters, including any related tax impact, will have a consequential significant effect on the financial position of the Company and the Group as at 31 December 2012 and 2011 and the financial performance and cash flows of the Group for the years then ended, and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant subsequent events related to the Company and the Group.

(j) Material uncertainties relating to the going concern basis

As disclosed in note 2.1 to the consolidated financial statements, the Group incurred a loss attributable to the owners of the Company of approximately HK$3,977,144,000 for the year ended 31 December 2012 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$3,167,957,000 and its total liabilities exceeded its total assets by approximately HK$3,138,573,000.

As disclosed in notes 27, 29, 30, 31 and 32 to the consolidated financial statements, the Group was in default on repayments of secured interest-bearing bank loans of approximately HK$351,797,000, fixed rate guaranteed senior notes of approximately HK$891,871,000, guaranteed senior convertible notes of approximately HK$453,971,000, guaranteed senior payment-in-kind notes of approximately HK$92,236,000 and convertible preferred shares of approximately HK$391,502,000.

As disclosed in note 43 to the consolidated financial statements, the Group was involved in several legal proceedings. One of the legal proceedings is in respect of KTL Camden Inc. ("KTL") has claimed that a subsidiary of the Company failed to pay certain hiring charges pursuant to a bareboat charter party contract and that the Company was liable to KTL for such hiring charges plus interest thereon in the sum of approximately USD6,853,032 pursuant to a deed of guarantee issued by the Company in favour of KTL. On 23 July 2013, the Supreme Court of Bermuda (the "Bermuda Court") allowed KTL to be substituted as the petitioner in place of Saturn Petrochemical Holdings Limited ("SPHL") and on 6 August 2013, KTL also made an application for the appointment of provisional liquidators in the Company. On 18 October 2013, the Bermuda Court ordered the appointment of the joint provisional liquidators of the Company. On 12 December 2013, the Company made an application to the Bermuda Court for the discharge of the joint provisional liquidators appointed to the Company (the "Discharge Application"). On 13 December 2013, the Bermuda Court ordered that the Camden Petition and the Discharge application be adjourned to 31 January 2014. A further hearing before the Bermuda Court took place on 31 January 2014 (Bermuda time) and the Camden Petition and Discharge Application further adjourned to 14 February 2014 (Bermuda time).

These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favourable outcomes of the steps being taken by the directors of the Company as described in note 2.1 to the consolidated financial statements. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation and classification of non-current assets that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets. In the absence of sufficient documentary evidence, we were unable to ascertain whether the assumptions made by the directors of the Company in the preparation of the consolidated financial statements on a going concern basis were fair and reasonable and, accordingly, we were unable to satisfy ourselves that the use of the going concern assumption was appropriate. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the appropriateness of the use of the going concern assumption, which might have a consequential significant effect on the Group's and the Company's net liabilities as at 31 December 2012 and the loss of the Group for the year then ended, and the related disclosures thereof in the consolidated financial statements.

For the year ended 31 December 2013

a) Scope limitation – Subsidiaries operated in Singapore

Included in the consolidated financial statements of the Group is financial information in respect of subsidiaries which operated in Singapore (the "Singapore Subsidiaries"). As disclosed in note 2.1 to the consolidated financial statements, partial books and records of the Singapore Subsidiaries were unable to be located as a consequence of the re-location of their office and servers, the resignations of key management, operation and accounting personnel and records have been under the control of liquidators. Consequently, we were unable to obtain sufficient appropriate audit evidence in respect of the financial information of the Singapore Subsidiaries as set out below which has been included in the consolidated financial statements of the Group for the year ended 31 December 2013:

	HK$'000
Included in the consolidated statement of profit or loss:	
Revenue	14,348
Other revenue	1,969
Impairment of accounts receivable	887
Included in the consolidated statement of financial position:	
Accounts payable	20,609
Other payables and accruals	45,609
Included in the gain on deconsolidation of subsidiaries:	
Amounts due from fellow subsidiaries	4,359,097
Amounts due from deconsolidated fellow subsidiaries	2,881,216
Amount due to the intermediate holding company	113,064
Amounts due to fellow subsidiaries	5,300,502
Amounts due to deconsolidated fellow subsidiaries	2,896,711
Cash and cash equivalents	630
Accounts payable	132,997
Other payables and accruals	33,291

We were unable to obtain sufficient appropriate audit evidence regarding the above because (i) there was inadequate documentary evidence available for us to verify the identity and nature of the above transactions and balances; (ii) we were unable to carry out any effective confirmation procedures for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to carry out any substantive procedures in relation to the above transactions and balances; and (iv) there were no alternative audit

procedures that we could perform to satisfy ourselves as to whether the above transactions and balances were free from material misstatement. Consequently, we were unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence of any other significant transactions, inter-group transactions, contingent liabilities, commitments, related party transactions and subsequent events relating to the Singapore Subsidiaries and the Group. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's net liabilities as at 31 December 2013, the gain on deconsolidation of subsidiaries and the loss and cash flows of the Group for the year ended 31 December 2013 and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant non-adjusting subsequent events relating to the Singapore Subsidiaries.

b) Scope limitation – Other payables and accruals

Included in the other payables and accruals in the consolidated statement of financial position of the Group as at 31 December 2013 were other payables of approximately HK$1,094,000 (the "Other Payables"). We were unable to obtain sufficient appropriate audit evidence regarding the Other Payables because (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Other Payables; (ii) we were unable to carry out any effective confirmation procedures in relation to the Other Payables for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Other Payables were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balances of the Group's other payables, the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

c) Scope limitation – Assets and liabilities of a disposal group classified as held for sale

1) Scope limitation – Reversal of impairment of property, plant and equipment and prepaid land/seabed lease payments of a disposal group classified as held for sale

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position as at 31 December 2013 was the property, plant and equipment and prepaid land/seabed lease payments of a disposal group classified as held for sale (the "Property, Plant and Equipment and Prepaid Lease Payments") with net carrying amounts of approximately HK$2,545,476,000 and HK$313,822,000 respectively and related deferred tax liabilities of approximately HK$60,432,000. The directors are of the opinion that the carrying amounts of the Property, Plant and Equipment and Prepaid Lease Payments in the consolidated statement of financial position were lower than their fair values less

cost to sell amounts and therefore, reversal of impairment losses on the Property, Plant and Equipment and Prepaid Lease Payments of approximately HK$499,508,000 was made during the year ended 31 December 2013. Fair values less costs to sell were determined by the cost approach and the sales comparison approach and were used to determine the amounts of the Property, Plant and Equipment and Prepaid Lease Payments with reference to valuation reports. However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the reasonableness of the bases and assumptions used in arriving at the amounts of the Property, Plant and Equipment and Prepaid Lease Payments as at the end of the reporting period and therefore, as to whether the carrying amounts and the reversal of impairment losses on the Property, Plant and Equipment and Prepaid Lease Payments for the year ended 31 December 2013 are fairly stated. Any adjustment to the carrying amounts and reversal of impairment losses on the Property, Plant and Equipment and Prepaid Lease Payments for the year ended 31 December 2013 would have a consequential impact on the loss from discontinued operations for the year ended 31 December 2013, the balances of the Group's assets and liabilities of a disposed group classified as held for sale, the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

2) Scope limitation – Prepayments, deposits and other receivables of a disposal group classified as held for sale

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2013 were prepayments, deposits and other receivables in respect of Titan Quanzhou Shipyard Company Limited (''QZ Shipyard''), which is the disposal group classified as held for sale, of approximately HK$52,590,000 and included in the consolidated statement of profit or loss for the year ended 31 December 2012 was impairment of the prepayments, deposits and other receivables of QZ Shipyard of approximately HK$107,013,000 (the ''Prepayments, Deposits and Other Receivables of the QZ Shipyard''). We were unable to obtain sufficient appropriate audit evidence regarding the Prepayments, Deposits and Other Receivables of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Prepayments, Deposits and Other Receivables of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to the Prepayments, Deposits and Other Receivables of the QZ Shipyard for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the Prepayments, Deposits and Other Receivables of the QZ Shipyard were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Prepayments, Deposits and Other Receivables of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets of a disposal group classified as

held for sale, the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

3) Scope limitation – Accounts and bills payables of a disposal group classified as held for sale

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2013 were accounts and bills payables of the QZ Shipyard of approximately HK$93,624,000 owed to suppliers of the QZ Shipyard (the "Accounts and Bills Payables of the QZ Shipyard"). We were unable to obtain sufficient appropriate audit evidence regarding the Accounts and Bills Payables of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Accounts and Bills Payable of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to Accounts and Bills Payables of the QZ Shipyard for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Accounts and Bills Payables of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balance of the Group's liabilities directly associated with the assets classified as held for sale, the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

4) Scope limitation – Other payables and accruals of a disposal group classified as held for sale

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2013 were other payables and accruals of the QZ Shipyard of approximately HK$572,608,000 (the "Other Payables and Accruals of the QZ Shipyard"). We were unable to obtain sufficient appropriate audit evidence regarding the Other Payables and Accruals of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Other Payables and Accruals of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to the Other Payables and Accruals of the QZ Shipyard for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Other Payables and Accruals of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balance of the Group's liabilities directly associated with the assets classified as held for sale, the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

d) Scope limitation – Amounts due from/to holding companies of a deconsolidated jointly-controlled entity

Included in the balances of other payables and accruals in the consolidated statement of financial position as at 31 December 2013 was amount due to a deconsolidated jointly-controlled entity of approximately HK$175,298,000 (the ''Amounts with the Deconsolidated Jointly-Controlled Entity''). As disclosed in note 10 to the consolidated financial statements, included in the net assets of the jointly-controlled entity deconsolidated during the year ended 31 December 2012 were amounts due from holding companies of approximately HK$171,454,000, amounts due to holding companies of approximately HK$164,249,000 and impairment on amount due from the deconsolidated jointly-controlled entity of approximately HK$161,412,000 (the ''Amounts with Holding Companies''). We were unable to obtain sufficient appropriate audit evidence regarding the Amounts with the Deconsolidated Jointly-Controlled Entity and the Amounts with Holding Companies because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Amounts with the Deconsolidated Jointly-Controlled Entity and the Amounts with Holding Companies; (ii) we were unable to carry out any effective confirmation procedures in relation to the Amounts with the Deconsolidated Jointly-Controlled Entity and the Amounts with Holding Companies for the purpose of our audit; and (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the amount due from the deconsolidated jointly-controlled entity were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Amounts with the Deconsolidated Jointly-Controlled Entity and the Amounts with Holding Companies were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balances of the Group's other payables and accruals as at 31 December 2013, the loss from discontinued operations of the Group for the year ended 31 December 2012, the Group's net liabilities at as 31 December 2013, and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

e) Scope limitation – Amounts due from/to deconsolidated subsidiaries

Included in the balances of other payables and accruals in the consolidated statement of financial position as at 31 December 2013 was amounts due to deconsolidated subsidiaries of approximately HK$4,222,659,000 (the ''Amounts due to Deconsolidated Subsidiaries''). Included in the consolidated statement of profit or loss for the year ended 31 December 2013 was impairment of amounts due from deconsolidated subsidiaries of approximately HK$5,384,435,000 (the ''Impairment of Amounts due from Deconsolidated Subsidiaries''). We were unable to obtain sufficient appropriate audit evidence regarding the Amounts due to Deconsolidated Subsidiaries because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Amounts due to Deconsolidated Subsidiaries and the Impairment of Amounts due from Deconsolidated Subsidiaries; (ii) we were unable to carry out any effective confirmation procedures in relation to the Amounts due to Deconsolidated Subsidiaries and the

Impairment of Amounts due from Deconsolidated Subsidiaries for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the amounts due from the deconsolidated subsidiaries were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Amounts due to Deconsolidated Subsidiaries and the Impairment of Amounts due from Deconsolidated Subsidiaries were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balances of the Group's other payables and accruals as at 31 December 2013, the Group's net liabilities as at 31 December 2013, and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

f) Scope limitation – Financial guarantee contracts and commitments

As disclosed in note 41 and 40 to the consolidated financial statements were financial guarantee contracts issued and commitments committed by the Group. We are unable to obtain sufficient appropriate audit evidence regarding the financial guarantee contracts and commitments committed by the Group because (i) we were unable to verify whether all financial guarantee contracts and commitments committed by the Group were included in the consolidated financial statements of the Group and the financial statements of the Company as at 31 December 2012 and 2013; (ii) we were unable to satisfy ourselves the measurements of the financial guarantee contracts and commitments for the years ended 31 December 2012 and 2013 were appropriate; (iii) we were unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence of any other significant financial guarantee contracts and commitments committed by the Company and the Group; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above transactions were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's and the Company's net liabilities at 31 December 2012 and 2013 respectively, the Company's interests in subsidiaries and consequently net loss and cash flows of the Group and the Company for the years ended 31 December 2012 and 2013, and the related disclosures thereof in the consolidated financial statements.

g) Scope limitation – Events after the reporting period

In light of the matters above, we were unable to obtain sufficient appropriate audit evidence regarding the events after the reporting period because there was inadequate documentary evidence available for us to verify the occurrence, accuracy and completeness of the significant transactions or events which may have occurred between the period from 1 January 2014 to the date of this auditors' report as required under the Hong Kong Standard on Auditing 560 "Subsequent Events" issued by the HKICPA. There were no practical alternative procedures that we could perform over the significant transactions which occurred during the period from 1 January 2014 to the date of this auditors' report.

Any adjustments that might have been found necessary may have an effect on the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

h) Scope limitation – Related party transactions

In light of the matters above, we were unable to obtain sufficient appropriate audit evidence regarding the related party transactions disclosures because there was inadequate documentary evidence available for us to verify the occurrence, accuracy and completeness of the related party transactions which may have occurred during the year ended 31 December 2013 as required under the Hong Kong Standard on Auditing 550 "Related Parties" issued by the HKICPA. There were no practical alternative procedures that we could perform over the related party transactions which occurred during the year ended 31 December 2013.

Any adjustments that might have been found necessary may have an effect on the Group's net liabilities as at 31 December 2013 and consequently net loss and cash flows of the Group for the year ended 31 December 2013, and the related disclosures thereof in the consolidated financial statements.

i) Scope limitation – Opening balances and corresponding figures

In light of the matters above, there was inadequate documentary evidence available for us to verify the opening balances and corresponding figures for the year ended 31 December 2012. In addition, the auditors' report dated 14 February 2014 in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2012 was disclaimed in view as a result of scope limitation based on reasons summarised in the basis for disclaimer of opinion paragraphs therein.

As a result of the above, we were unable to obtain sufficient appropriate audit evidence regarding the opening balances and corresponding figures and there were no alternative audit procedures to satisfy ourselves as to whether the opening balances and corresponding figures were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets and liabilities as at 31 December 2012 and 2013 and its results for the years ended 31 December 2012 and 2013, and the presentation and disclosure thereof in the consolidated financial statements.

Any adjustments or additional disclosures found to be necessary in respect of the above matters, including any related tax impact, will have a consequential significant effect on the financial position of the Company and the Group as at 31 December 2013 and 2012 and the financial performance and cash flows of the Group for the years then ended, and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant subsequent events related to the Company and the Group.

j) Material uncertainties relating to the going concern basis

As disclosed in note 2.1 to the consolidated financial statements, the Group incurred a loss attributable to the owners of the Company of approximately HK$4,570,232,000 for the year ended 31 December 2013 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$7,750,671,000 and its total liabilities exceeded its total assets by approximately HK$7,724,326,000.

As disclosed in notes 26, 28, 29, 30, 31 and 32 to the consolidated financial statements, the Group was in default on repayments of secured interest-bearing bank loans of approximately HK$654,347,000, fixed rate guaranteed senior notes of approximately HK$962,062,000, guaranteed senior convertible notes of approximately HK$499,693,000, guaranteed senior payment-in-kind notes of approximately HK$100,243,000, convertible preferred shares of approximately HK$406,110,000 and notes payable of approximately HK$227,292,000.

As disclosed in note 42 to the consolidated financial statements, the Group was involved in several legal proceedings. One of the legal proceedings is that KTL Camden Inc. ("KTL") has claimed that a subsidiary of the Company failed to pay certain hiring charges pursuant to a bareboat charter party contract and that the Company was liable to KTL for such hiring charges plus interest thereon in the sum of approximately US$6,853,032 pursuant to a deed of guarantee issued by the Company in favour of KTL. On 23 July 2013, the Supreme Court of Bermuda (the "Bermuda Court") allowed KTL to be substituted as the petitioner in place of Saturn Petrochemical Holdings Limited ("SPHL") and on 6 August 2013, KTL also made an application for the appointment of provisional liquidators in the Company. On 18 October 2013, the Bermuda Court ordered the appointment of the joint provisional liquidators of the Company. On 12 December 2013, the Company made an application to the Bermuda Court for the discharge of the joint provisional liquidators appointed to the Company (the "Discharge Application"). On 13 December 2013, the Bermuda Court ordered that the Camden Petition and the Discharge application be adjourned to 31 January 2014. Further hearings before the Bermuda Court took place on 31 January 2014 (Bermuda time), 14 February 2014 (Bermuda time), 28 February 2014 (Bermuda time), 7 March 2014 (Bermuda time) and 17 April 2014 (Bermuda time) and the Camden Petition and Discharge Application further adjourned to 16 May 2014 (Bermuda time).

These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favourable outcomes of the steps being taken by the directors of the Company as described in note 2.1 to the consolidated financial statements. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation and classification of non-current assets that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may

need to be realised at other than the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets. In the absence of sufficient documentary evidence, we were unable to ascertain whether the assumptions made by the directors of the Company in the preparation of the consolidated financial statements on a going concern basis were fair and reasonable and, accordingly, we were unable to satisfy ourselves that the use of the going concern assumption was appropriate. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the appropriateness of the use of the going concern assumption, which might have a consequential significant effect on the Group's and the Company's net liabilities as at 31 December 2013 and the loss of the Group for the year then ended, and the related disclosures thereof in the consolidated financial statements.

For the year ended 31 December 2014

(a) Scope limitation – Subsidiaries operated in Singapore

During the year ended 31 December 2014, several subsidiaries operated in Singapore were placed into liquidation and the directors of the Group consider that the Group has lost its control over these subsidiaries. The deconsolidation of these subsidiaries operated in Singapore had resulted a gain on deconsolidation of subsidiaries of approximately HK$4,134,534,000. As disclosed in note 2.1 to the consolidated financial statements, partial books and records of the subsidiaries operated in Singapore were unable to be located as a consequence of the re-location of their office and servers, the resignations of key management, operation and accounting personnel, and any available records have been under the control of liquidators. Consequently, we were unable to obtain sufficient appropriate audit evidence in respect of the balances as set out below which has been included in the gain on deconsolidation of subsidiaries for the year ended 31 December 2014:

	HK$'000
Prepayments, deposits and other receivables	11,679
Amounts due from deconsolidated fellow subsidiaries	2,087,170
Amounts due to the intermediate holding company	(134,987)
Amounts due to fellow subsidiaries	(476)
Amounts due to deconsolidated fellow subsidiaries	(5,918,946)
Accounts payable	(133,710)
Other payables and accruals	(46,710)
Net liabilities of deconsolidated subsidiaries attributable to the Group	(4,135,980)
Release of exchange fluctuation reserve	1,446
Gain on deconsolidation of subsidiaries	(4,134,534)

We were unable to obtain sufficient appropriate audit evidence regarding the above because (i) there was inadequate documentary evidence available for us to verify the identity and nature of the above transactions and balances; (ii) we were unable to carry out any effective confirmation procedures for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to carry out any substantive procedures in relation to the above transactions and balances; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above transactions and balances were free from material misstatement. Consequently, we were unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence of any other significant transactions, inter-group transactions, contingent liabilities, commitments, related party transactions and subsequent events relating to the subsidiaries operated in Singapore. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's net liabilities as at 31 December 2014, the gain on deconsolidation of subsidiaries and the net profit and cash flows of the Group for the year ended 31 December 2014 and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant non-adjusting subsequent events relating to the subsidiaries operated in Singapore.

(b) Scope limitation – Impairment of other receivables

Included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014 was impairment of other receivables of approximately HK$1,214,000 (the "Impairment of Other Receivables"). We were unable to obtain sufficient appropriate audit evidence regarding the Impairment of Other Receivables because (i) there was inadequate documentary evidence available for us to verify the identity and nature of the other receivables; (ii) we were unable to carry out any effective confirmation procedures in relation to the other receivables for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the other receivables were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Impairment of Other Receivables were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balance of the impairment of other receivables, the balances of the Group's other receivables, the Group's net liabilities as at 31 December 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, and the related disclosures thereof in the consolidated financial statements.

(c) Scope limitation – Assets and liabilities of a disposal group classified as held for sale

1) Scope limitation – Property, plant and equipment and prepaid land/seabed lease payments of a disposal group classified as held for sale

As disclosed in note 6 to the financial statements and included in the consolidated statement of financial position as at 31 December 2014 was the property, plant and equipment and prepaid land/seabed lease payments of a disposal group classified as held for sale (the "Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments") with net carrying amounts of approximately HK$2,488,687,000 and HK$306,345,000 respectively and related deferred tax liabilities of approximately HK$59,203,000. The directors are of the opinion that the carrying amounts of the Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments included in the consolidated statement of financial position were lower than their fair values less cost to sell amounts and therefore, no impairment on the Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments was made during the year ended 31 December 2014. Fair values less costs to sell were determined by the cost approach and the sales comparison approach and were used to determine the amounts of the Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments with reference to valuation reports. However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the reasonableness of the bases and assumptions used in arriving at the amounts of the Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments as at the end of the reporting period and therefore, as to whether the carrying amounts on the Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments as at 31 December 2014 are fairly stated. Any adjustment to the carrying amounts on the Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments as at 31 December 2014 would have a consequential impact on the loss from discontinued operation for the year ended 31 December 2014, the balances of the Group's assets and liabilities of a disposed group classified as held for sale, the Group's net liabilities as at 31 December 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, and the related disclosures thereof in the consolidated financial statements.

2) Scope limitation – Prepayments, deposits and other receivables of a disposal group classified as held for sale

As disclosed in note 6 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2014 were prepayments, deposits and other receivables in respect of Titan Quanzhou Shipyard Company Limited ("QZ Shipyard"), which is the disposal group classified as held for sale, of approximately HK$21,437,000 (the "Prepayments, Deposits and Other Receivables of the QZ Shipyard"). We were unable to obtain sufficient appropriate audit evidence regarding the Prepayments, Deposits and Other Receivables of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Prepayments, Deposits and Other Receivables of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to the Prepayments, Deposits and Other Receivables of the QZ Shipyard for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the Prepayments, Deposits and Other Receivables of the QZ Shipyard were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Prepayments, Deposits and Other Receivables of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets of a disposal group classified as held for sale, the Group's net liabilities as at 31 December 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, and the related disclosures thereof in the consolidated financial statements.

3) Scope limitation – Accounts and bills payables of a disposal group classified as held for sale

As disclosed in note 6 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2014 were accounts and bills payables of the QZ Shipyard of approximately HK$93,861,000 owed to suppliers of the QZ Shipyard (the "Accounts and Bills Payables of the QZ Shipyard"). We were unable to obtain sufficient appropriate audit evidence regarding the Accounts and Bills Payables of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Accounts and Bills Payables of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to Accounts and Bills Payables of the QZ Shipyard for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Accounts and Bills Payables of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balance of the Group's liabilities directly associated with the assets classified as held for sale, the Group's net liabilities as at 31 December 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, and the related disclosures thereof in the consolidated financial statements.

4) Scope limitation – Other payables and accruals of a disposal group classified as held for sale

As disclosed in note 6 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2014 were other payables and accruals of the QZ Shipyard of approximately HK$416,533,000 (the "Other Payables and Accruals of the QZ Shipyard"). We were unable to obtain sufficient appropriate audit evidence regarding the Other Payables and Accruals of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Other Payables and Accruals of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to the Other Payables and Accruals of the QZ Shipyard for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Other Payables and Accruals of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balance of the Group's liabilities directly associated with the assets classified as held for sale, the Group's net liabilities as at 31 December 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, and the related disclosures thereof in the consolidated financial statements.

(d) Scope limitation – Amounts due from/to holding companies of a deconsolidated jointly-controlled entity

Included in the balances of other payables and accruals in the consolidated statement of financial position as at 31 December 2014 was amounts due to a deconsolidated jointly-controlled entity of approximately HK$174,665,000 (the "Amounts with the Deconsolidated Jointly-Controlled Entity"). We were unable to obtain sufficient appropriate audit evidence regarding the Amounts with the Deconsolidated Jointly-Controlled Entity because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Amounts with the Deconsolidated Jointly-Controlled Entity; (ii) we were unable to carry out any effective confirmation procedures in relation to the Amounts with the Deconsolidated Jointly-Controlled Entity for the purpose of our audit; and (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the amount due from the deconsolidated jointly-controlled entity were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Amounts with the Deconsolidated Jointly-Controlled Entity were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balances of the Group's other payables and accruals as at 31 December 2014, the Group's net liabilities at as 31 December 2014, and consequently net profit and cash flows of the Group for the year ended 31 December 2014, and the related disclosures thereof in the consolidated financial statements.

(e) Scope limitation – Amounts due from/to deconsolidated subsidiaries

Included in the balances of other payables and accruals in the consolidated statement of financial position as at 31 December 2014 was amounts due to deconsolidated subsidiaries of approximately HK$390,121,000 (the "Amounts due to Deconsolidated Subsidiaries"). Included in the consolidated statement of profit or loss for the year ended 31 December 2014 was impairment of amounts due from deconsolidated subsidiaries of approximately HK$135,461,000 (the "Impairment of Amounts due from Deconsolidated Subsidiaries"). We were unable to obtain sufficient appropriate audit evidence regarding the Amounts due to Deconsolidated Subsidiaries because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Amounts due to Deconsolidated Subsidiaries and the Impairment of Amounts due from Deconsolidated Subsidiaries; (ii) we were unable to carry out any effective confirmation procedures in relation to the Amounts due to Deconsolidated Subsidiaries and the Impairment of Amounts due from Deconsolidated Subsidiaries for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the amounts due from the deconsolidated subsidiaries were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Amounts due to Deconsolidated Subsidiaries and the Impairment of Amounts due from Deconsolidated Subsidiaries were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balances of the Group's other payables and accruals as at 31 December 2014, the Group's net liabilities as at 31 December 2014, and consequently net profit and cash flows of the Group for the year ended 31 December 2014 and the related disclosures thereof in the consolidated financial statements.

(f) Scope limitation – Financial guarantee contracts and commitments

Included in the balances of other payables and accruals in the consolidated statement of financial position as at 31 December 2014 was financial guarantee liabilities of approximately HK$113,155,000 and as disclosed in notes 43 and 42 to the consolidated financial statements were financial guarantee contracts issued and commitments committed by the Group. We were unable to obtain sufficient appropriate audit evidence regarding the financial guarantee contracts and commitments committed by the Group because (i) we were unable to verify whether all financial guarantee contracts and commitments committed by the Group were included in the consolidated financial statements of the Group and the financial statements of the Company as at 31 December 2013 and 2014; (ii) we were unable to satisfy ourselves the measurements of the financial guarantee contracts and commitments for the years ended 31 December 2013 and 2014 were appropriate; (iii) we were unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence of any other significant financial guarantee contracts and commitments committed by the Company and the Group; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above transactions were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's and the Company's net liabilities at 31 December 2013 and 2014 respectively, the Company's

interests in subsidiaries and consequently net profit and cash flows of the Group and the Company for the years ended 31 December 2013 and 2014, and the related disclosures thereof in the consolidated financial statements.

(g) Scope limitation – Events after the reporting period

In light of the matters above, we were unable to obtain sufficient appropriate audit evidence regarding the events after the reporting period because there was inadequate documentary evidence available for us to verify the occurrence, accuracy and completeness of the significant transactions or events which may have occurred between the period from 1 January 2015 to the date of this auditors' report as required under the Hong Kong Standard on Auditing 560 "Subsequent Events" issued by the HKICPA. There were no practical alternative procedures that we could perform over the significant transactions which occurred during the period from 1 January 2015 to the date of this auditors' report.

Any adjustments that might have been found necessary may have an effect on the Group's net liabilities as at 31 December 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, and the related disclosures thereof in the consolidated financial statements.

(h) Scope limitation – Related party transactions

In light of the matters above, we were unable to obtain sufficient appropriate audit evidence regarding the related party transactions disclosures because there was inadequate documentary evidence available for us to verify the occurrence, accuracy and completeness of the related party transactions which may have occurred during the year ended 31 December 2014 as required under the Hong Kong Standard on Auditing 550 "Related Parties" issued by the HKICPA. There were no practical alternative procedures that we could perform over the related party transactions which occurred during the year ended 31 December 2014.

Any adjustments that might have been found necessary may have an effect on the Group's net liabilities as at 31 December 2014 and consequently net profit and cash flows of the Group for the year ended 31 December 2014, and the related disclosures thereof in the consolidated financial statements.

(i) Scope limitation – Opening balances and corresponding figures

In light of the matters above, there was inadequate documentary evidence available for us to verify the opening balances and corresponding figures for the year ended 31 December 2013. In addition, the auditors' report dated 30 April 2014 in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2013 was disclaimed in view as a result of scope limitation based on reasons summarised in the basis for disclaimer of opinion paragraphs therein.

As a result of the above, we were unable to obtain sufficient appropriate audit evidence regarding the opening balances and corresponding figures and there were no alternative audit procedures to satisfy ourselves as to whether the opening balances and corresponding figures were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets and liabilities as at 31 December 2013 and 2014 and its results for the years ended 31 December 2013 and 2014, and the presentation and disclosure thereof in the consolidated financial statements.

Any adjustments or additional disclosures found to be necessary in respect of the above matters, including any related tax impact, will have a consequential significant effect on the financial position of the Company and the Group as at 31 December 2014 and 2013 and the financial performance and cash flows of the Group for the years then ended, and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant subsequent events related to the Company and the Group.

(j) Material uncertainties relating to the going concern basis

As disclosed in note 2.1 to the consolidated financial statements, as at 31 December 2014, the Group's current liabilities exceeded its current assets by approximately HK$3,816,444,000 and its total liabilities exceeded its total assets by approximately HK$3,832,634,000.

As disclosed in notes 26, 30, 31, 32, 33 and 34 to the consolidated financial statements, the Group was in default on repayments of interest-bearing bank and other loans of approximately HK$5,850,000, fixed rate guaranteed senior notes of approximately HK$882,329,000, guaranteed senior convertible notes of approximately HK$441,753,000, guaranteed senior payment-in-kind notes of approximately HK$88,657,000, convertible preferred shares of approximately HK$420,717,000 and notes payable of approximately HK$202,896,000.

As disclosed in note 44 to the consolidated financial statements, the Group was involved in several legal proceedings. One of the legal proceedings is that KTL Camden Inc. ("KTL") has claimed that a subsidiary of the Company failed to pay certain hiring charges pursuant to a bareboat charter party contract and that the Company was liable to KTL for such hiring charges plus interest thereon in the sum of approximately US$6,853,032 pursuant to a deed of guarantee issued by the Company in favour of KTL. On 23 July 2013, the Supreme Court of Bermuda (the "Bermuda Court") allowed KTL to be substituted as the petitioner in place of Saturn Petrochemical Holdings Limited ("SPHL") and on 6 August 2013, KTL also made an application for the appointment of provisional liquidators in the Company. On 18 October 2013, the Bermuda Court ordered the appointment of the joint provisional liquidators of the Company. On 12 December 2013, the Company made an application to the Bermuda Court for the discharge of the joint provisional liquidators appointed to the Company (the "Discharge Application"). On 13 December 2013, the Bermuda Court ordered that the Camden Petition and the

Discharge application be adjourned to 31 January 2014. The proceedings is still ongoing and further hearings before the Bermuda Court took place on 31 January 2014 (Bermuda time), 14 February 2014 (Bermuda time), 28 February 2014 (Bermuda time), 7 March 2014 (Bermuda time), 17 April 2014 (Bermuda time), 16 May 2014 (Bermuda time), 11 July 2014 (Bermuda time), 8 August 2014 (Bermuda time), 3 October 2014 (Bermuda time), 31 October 2014 (Bermuda time), 21 November 2014 (Bermuda time), 16 January 2015 (Bermuda time), 13 March 2015 (Bermuda time) and 27 March 2015 (Bermuda time).

These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favourable outcomes of the steps being taken by the directors of the Company as described in note 2.1 to the consolidated financial statements. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation and classification of non-current assets that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets. In the absence of sufficient documentary evidence, we were unable to ascertain whether the assumptions made by the directors of the Company in the preparation of the consolidated financial statements on a going concern basis were fair and reasonable and, accordingly, we were unable to satisfy ourselves that the use of the going concern assumption was appropriate. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the appropriateness of the use of the going concern assumption, which might have a consequential significant effect on the Group's and the Company's net liabilities as at 31 December 2014 and the profit of the Group for the year then ended, and the related disclosures thereof in the consolidated financial statements.

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The accompanying unaudited pro forma consolidated statement of financial position (collectively the "Unaudited Pro Forma Financial Information") of the Group has been prepared to illustrate the effect of the Restructuring might have affected the financial position of the Group. Capitalised terms used herein shall have the same meaning as those defined in this circular unless the context otherwise requires.

The Unaudited Pro Forma Financial Information of the Group as at 31 December 2014 is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2014, as if the Restructuring had been completed on 31 December 2014.

The Unaudited Pro Forma Financial Information of the Group is prepared based on a number of assumptions, estimates, uncertainties and the currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information of the Group, it may not give a true picture of the actual financial position of the Group that would have been attained had the Restructuring actually occurred on the date indicated herein.

Furthermore, the Unaudited Pro Forma Financial Information of the Group does not purport to predict the Group's future financial position. The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with the financial information of the Group as set out in the circular and other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited consolidated statement of financial position of the Group as at 31 December 2014 *Note 1* HK$'000	Reclassify of discontinued operation to continuing operations *Note 2* HK$'000	Adjusted unaudited consolidated statement of financial position of the Group as at 31 December 2014 HK$'000	Gross proceed from Open Offer *Note 3* HK$'000 (Unaudited)	Gross proceed from Victory Stand Subscription *Note 4a* HK$'000 (Unaudited)	Gross proceed from Wahen Investments Subscription *Note 4b* HK$'000 (Unaudited)	Legal & professional fee on Open Offer & Share Subscriptions *Note 4c* HK$'000 (Unaudited)	Second Loan Agreement from Fame Dragon (Mar 2014) *Note 5a* HK$'000 (Unaudited)	2015 Loan Agreement from Fame Dragon (Feb 2015) *Note 5b* HK$'000 (Unaudited)	Settlement for Existing Notes Creditors *Note 6* HK$'000 (Unaudited)	Settlement of Unsecured Claims *Note 7* HK$'000 (Unaudited)	Creditors' Settlement Agreement *Note 8* HK$'000 (Unaudited)	Shipyard Termination Agreement *Note 9* HK$'000 (Unaudited)	Legal & professional fee on debt restructuring *Note 10* HK$'000 (Unaudited)	Listco Preferred Shares Modification Deed *Note 11* HK$'000 (Unaudited)	Deconsolidation of Oil Finance *Note 12* HK$'000 (Unaudited)	Compromise agreement in TQSL Holding *Note 13* HK$'000 (Unaudited)	Creditors' scheme of TRML *Note 14* HK$'000 (Unaudited)	Assumption Agreement *Note 15* HK$'000 (Unaudited)	Adjusted Group HK$'000 (Unaudited)
Non-current assets																					
Property, plant and equipment	3,138	2,488,687	2,491,825																		2,491,825
Prepaid land/seabed lease payments	–	306,345	306,345																		306,345
Investment property	166,223		166,223																		166,223
Total non-current assets	169,361		2,964,393																		2,964,393
Current assets																					
Inventories	–	44,627	44,627																		44,627
Prepayments, deposits and other receivables	145,555	21,437	166,992														(2)				166,990
Pledged deposits and restricted cash	26,520		26,520																		26,520
Cash and cash equivalents	1,315	131	1,446	391,028	130,000	180,000	(2,479)	13,559	78,000	(211,276)	(36,858)	(20,884)		(30,690)		(2)	(796)	(8,455)			482,593
	173,390		239,585																		720,730
Assets of a disposal group classified as held for sale	2,861,227	(2,861,227)	–																		–
Total current assets	3,034,617		239,585																		720,730
Current liabilities																					
Interest-bearing bank and other loans	5,850		5,850									(5,850)									–
Accounts payable	217,731	93,861	311,592								(217,731)								(86,874)		6,987
Other payables and accruals *(Note 16(a) and (b))*	774,100	410,840	1,184,940								(148,895)	(95)				(20,524)	(79,583)	(333,297)	(272,668)		329,878
Notes payable	202,896		202,896									(202,896)									–
Guaranteed senior convertible notes	441,753		441,753							(441,753)											–
Guaranteed senior payment-in-kind notes	88,657		88,657							(88,657)											–
Fixed rate guaranteed senior notes	882,329		882,329							(882,329)											–
Liability portion of convertible preferred shares	420,717		420,717												(420,717)						–
Amounts due to the ultimate holding company	947,503	83,949	1,031,452										(943,291)								88,161
Amount due to the immediate holding company	87		87																		87
Loans from the immediate holding company	3,000		3,000																		3,000
Tax payable	1,069		1,069																		1,069
	3,985,692		4,574,342																		429,182
Liabilities directly associated with the assets classified as held for sale	2,865,369	(2,865,369)	–																		–
Total current liabilities	6,851,061		4,574,342																		429,182
Net current (liabilities)/assets	(3,816,444)		(4,334,757)																		291,548
Total assets less current liabilities	(3,647,083)		(1,370,364)																		3,255,941
Non-current liabilities																					
Liabilities portion of convertible preferred shares	–		–												359,917						359,917
Deferred tax liabilities	34,121	59,203	93,324																		93,324
Interest-bearing bank and other loans	–	265,658	265,658																		265,658
Other payables and accruals	–	5,693	5,693																		5,693
Amount due to the immediate holding company	456		456																		456
Loans from the ultimate holding company	102,293	1,946,165	2,048,458																		2,048,458
Loans from the immediate holding company	48,681		48,681					13,559	78,000												140,240
Total non-current liabilities	185,551		2,462,270																		2,913,746
Net (liabilities)/assets	(3,832,634)		(3,832,634)																		342,195
(Deficiency in assets)/Equity																					
(Deficiency)/Equity attributable to owners of the Company																					
Share capital	78,206		78,206	39,103	13,000	18,000				19,268			93,822						22,820		284,219
(Deficits)/Reserves	(3,910,840)		(3,910,840)	351,925	117,000	162,000	(2,479)			1,182,195	329,768	187,957	849,469	(30,690)	60,800	20,520	78,787	324,842	336,722		57,976
(Deficiency in assets)/Total equity	(3,832,634)		(3,832,634)																		342,195

	HK$
Unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company per Share prior to completion of the Restructuring *(Note 17)*	(0.49)
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after completion of the Restructuring *(Note 18)*	0.01

C. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes:

1. The consolidated statement of financial position of the Group as at 31 December 2014 is extracted from the Company's audited financial statement for the year ended 31 December 2014.

2. The pro forma adjustment represents reclassification of the "Assets of a disposal group classified as held for sale" and the "Liabilities directly associated with the assets classified as held for sale" recognised in the consolidated statement of financial position as at 31 December 2014 into respective assets and liabilities of the Group assuming the Shipyard Termination Agreement has been entered into between the Company, TQSL Holding, TPFL and GZE and the conditions precedent are satisfied as at 31 December 2014, for which the parties conditionally agreed that the Shipyard Sale and Purchase Agreement to be terminated with immediate effect.

3. The pro forma adjustment represents the estimated proceeds of approximately HK$391,028,000 from the Open Offer in the proportion of one Offer Share for every two existing shares in which 3,910,277,341 Offer Shares will be issued under the Open Offer (based on 7,820,554,682 shares in issue as at the Latest Practicable Date and assuming no share options would be exercised) at the subscription price of HK$0.1 per Share.

4. The pro forma adjustment represents the issue of Subscription Shares to the respective investors, assuming the Share Subscriptions have taken place on 31 December 2014:

   (a) The pro forma adjustment represents the estimated proceeds from the Victory Stand Subscription Agreement (the "Victory Stand Subscription") of approximately HK$130,000,000 which is based on 1,300,000,000 Shares to be issued at the subscription price of HK$0.1 per Share. Pursuant to the Victory Stand Subscription Agreement, Victory Stand has conditionally agreed to subscribe for 1,300,000,000 Warrants free of charge to be issued by the Company. As those Warrants can only be exercisable after 3 years of the issue, it is not reflected in the pro forma consolidated statement of financial position. As a result of the Victory Stand Subscription Agreement, the Company's share capital and share premium will be increased by approximately HK$13,000,000 and approximately HK$117,000,000 respectively.

(b) The pro forma adjustment represents the estimated proceeds from Wahen Investments Subscription Agreement (the ''Wahen Investments Subscription'') of approximately HK$180,000,000 which is based on 1,800,000,000 Shares to be issued at the subscription price of HK$0.1 per Share. Pursuant to the Wahen Investments Subscription Agreement, Wahen Investments has conditionally agreed to subscribe for 1,800,000,000 Warrants free of charge to be issued by the Company. As those Warrants can only be exercisable after 3 years of the issue, it is not reflected in the pro forma consolidated statement of financial position. As a result of the Wahen Investments Subscription Agreement, the Company's share capital and share premium will be increased by approximately HK$18,000,000 and approximately HK$162,000,000 respectively.

(c) The pro forma adjustment represents the estimated legal and professional fee incurred for the Open Offer, Victory Stand Subscription and Wahen Investments Subscription of approximately HK$2,479,000.

5. These pro forma adjustments represent the loans from Fame Dragon, assuming taking place on 31 December 2014:

(a) The pro forma adjustment represents the drawdown of the remaining loan facility of approximately HK$13,559,000 as at 31 December 2014 granted from Fame Dragon in respect of the Second Loan Agreement entered into between Fame Dragon and the Company on 13 March 2014. The total facility is HK$62,240,000.

(b) The pro forma adjustment represents the drawdown of the loan facility of approximately HK$78,000,000 granted from Fame Dragon in respect of the 2015 Loan Agreement entered into between Fame Dragon and the Company on 27 February 2015.

6. The pro forma adjustment represents the settlement of the Existing Notes Creditors (including both principal and interests) of the Company as at 31 December 2014 by way of the Creditors' Scheme, under which the Listco Convertible Notes of approximately HK$441,753,000, PIK Notes Due 2015 of approximately HK$88,657,000 and 2012 Senior Notes of approximately HK$882,329,000 will be compromised and discharged, and in return:

(i) a cash payment of HK$211,276,000 out of the proceeds from the Share Subscriptions will be paid to the Existing Notes Creditors; and

(ii) 1,926,810,834 new Shares will be issued under the Creditors' Scheme at the issuing price of HK$0.1 per Share with the par value of HK$0.01 each, pursuant to which the Company's share capital will be increased by approximately HK$19,268,000 and its share premium account will be increased by approximately HK$173,413,000 respectively;

For those Existing Notes Creditors who fail to submit the completed Account Holder Letter to the Information Agent prior to the Bar Time (5 February 2015) will not be entitled to receive any scheme consideration and will have its liabilities compromised and discharged fully.

Upon the discharge of the liabilities arising from the Company's Existing Notes Creditors under the Creditors' Scheme, the Company will recognise a net gain of approximately HK$1,008,782,000, representing the difference between the total liabilities of approximately HK$1,412,739,000 to be compromised and discharged under the Creditors' Scheme and the total settlement amount of approximately HK$403,957,000 to be made (including the cash settlement and the issue of new Shares under the Creditors' Scheme).

7. The pro forma adjustment represents the settlement of the Unsecured Creditors of the Company as at 31 December 2014 by way of the Creditors' Scheme (including Frontline Settlement Agreement), under which the accounts payables of approximately HK$217,731,000 and other payables and accruals of approximately HK$148,895,000 will be compromised and discharged, and in return of a cash payment of HK$36,858,000 out of the proceeds from the Share Subscriptions and Open Offer will be paid to the Unsecured Creditors.

Upon the discharge of the liabilities arising from the Unsecured Creditors of the Company under the Creditors' Scheme, the Company will recognise a net gain of approximately HK$329,768,000, representing the difference between the total liabilities owed to the Unsecured Creditors of the Company of approximately HK$366,626,000 to be compromised and discharged under the Scheme and the total cash settlement amount of approximately HK$36,858,000 to be made.

8. The pro forma adjustment represents the settlement of the other compromised creditors of the Company (i.e. K-Line Settlement Agreement) as at 31 December 2014 by way of the Creditors' Scheme, under which the interest-bearing bank loan of approximately HK$5,945,000 (including principal and interest payable) and notes payables of approximately HK$202,896,000 will be compromised and discharged, and in return of a cash payment of HK$20,884,000 out of the proceeds from the Share Subscriptions and Open Offer will be paid to those other compromised creditors.

   Upon the discharge of the liabilities arising from those other compromised creditors of the Company under the Scheme, the Company will recognise a net gain of approximately HK$187,957,000 to be compromised and discharged under the Scheme and the total cash settlement amount of approximately HK$20,884,000 to be made.

9. The deposit received of RMB740,000,000 (equivalent to approximately HK$943,291,000) originally paid by Grand China Logistics to the Group was assigned to GZE. The Company will issue 9,382,164,000 new Shares at the issue price of HK$0.1 each in lieu of repayment of such amount, assuming the Shipyard Termination Agreement has taken place on 31 December 2014. The Company's share capital will be increased by approximately HK$93,822,000 and its share premium account will be increased by approximately HK$844,394,000 respectively. The Company will recognise a gain of approximately HK$5,075,000 upon settlement of the deposit received.

10. The pro forma adjustment represents the estimated legal and professional fee incurred for the Restructuring of approximately HK$30,690,000, assuming it has taken place on 31 December 2014.

11. The pro forma adjustment represents upon the Company entering into an extension agreement with DBIL, a company assigned by Saturn Petrochemical, the original Listco Preferred Shares holder, the redemption period of the Listco Preferred Shares was extended to any time on or after the 3rd year when the Restructuring become effective, assuming the Restructuring has become effective as at 31 December 2014. The Listco Preferred Shares were therefore reclassified as non-current liabilities as at 31 December 2014 accordingly.

    Upon entering into the extension agreement, the Company will recognise a net gain of approximately HK$60,800,000, representing the difference between the fair value of the liability component of the Listco Preferred Shares with the outstanding dividend payables to the Listco Preferred Shares holders of approximately HK$359,917,000 and the total settlement of the original Listco Preferred Shares of approximately HK$420,717,000, assuming the extension agreement have become effective on 31 December 2014.

    For the purpose of preparing the Unaudited Pro Forma Financial Information of the Group, the Listco Preferred Shares amount is taken to be its fair value.

12. The pro forma adjustment represents deconsolidation of Titan Oil Finance Limited ("Oil Finance"), an indirect wholly-owned subsidiary of the Company, upon Oil Finance have been placed into liquidation. The deconsolidation of Oil Finance will lead to a decrease in cash and cash equivalents of approximately HK$2,000, a decrease in other receivables of approximately HK$2,000 and a decrease in amounts due to deconsolidated subsidiaries in Singapore of approximately HK$20,524,000 and a gain on deconsolidation of Oil Finance of approximately HK$20,520,000 will be recognised in reserves of the Group, assuming it has taken place on 31 December 2014.

13. The pro forma adjustment represents the settlement of the amounts due to the deconsolidated subsidiaries in Singapore under TQSL Holding, an indirect wholly-owned subsidiary of the Company, as at 31 December 2014 by way of entering into a compromise agreement made between TQSL Holding and the liquidators in Singapore, under which the amounts due to the deconsolidated subsidiaries in Singapore of approximately HK$79,583,000 will be compromised and settled by the third party's loan for an amount of approximately HK$796,000, which the repayment of such third party's loan to be funded by internal resources within the Group.

Upon entering into the above compromise arrangement with the liquidators in Singapore, the Company will recognise a net gain of approximately HK$78,787,000, representing the difference between the amounts due to the deconsolidated subsidiaries in Singapore of approximately HK$79,583,000 to be compromised and discharged under the compromise arrangement and the amount to be compromised and settled by the third party's loan of approximately HK$796,000, which the repayment of such third party's loan will be funded by internal resources within the Group.

14. The pro forma adjustment represents the settlement of the amounts due to the deconsolidated subsidiaries in Singapore under TRML, an indirect wholly-owned subsidiary of the Company, as at 31 December 2014 by way of a creditor scheme, under which the amounts due to the deconsolidated subsidiaries in Singapore of approximately HK$333,297,000 will be compromised and settled by the internal resources within the Group of approximately HK$8,455,000.

    Upon the above creditor scheme, the Company will recognise a net gain of approximately HK$324,842,000, representing the difference between the amounts due to the deconsolidated subsidiaries in Singapore of approximately HK$333,297,000 to be compromised and discharged under the creditor scheme and the amount to be compromised and settled by the internal resources within the Group of approximately HK$8,455,000.

15. The pro forma adjustment represents upon the Company entering into the Assumption Agreement with Fame Dragon in respect of assigning all remaining outstanding debts due by TQS to Fame Dragon, the Company will in return issuing the Assumption Consideration Shares to Fame Dragon, assuming the Assumption Agreement have taken place on 31 December 2014. The outstanding debts owed by TQS as at 31 December 2014 with accounts payables of approximately HK$86,874,000 and other payables of approximately HK$272,668,000 will be compromised and discharged, and in return 2,282,024,653 Assumption Consideration Shares with par value of HK$0.01 each will be issued at the issuing price of HK$0.1 each, pursuant to which the Company's share capital will be increased by approximately HK$22,820,000 and its share premium account will be increased by approximately HK$205,382,000 respectively.

    Upon the discharge of the liabilities arising from the TQS under the above arrangement, the Company will recognise a net gain of approximately HK$131,340,000 representing the difference between the total liabilities of approximately HK$359,542,000 to be compromised and discharged under the above arrangement and the settlement amount of approximately HK$228,202,000 by way of issuing the Assumption Consideration Shares to be made.

16. After taking account of the above pro forma adjustments, included in other payables and accruals consist of the amounts due to a deconsolidated jointly-controlled entity and amounts due to deconsolidated subsidiaries amounting to approximately HK$174,665,000 and HK$70,717,000 respectively.

    (a) In respect of the amounts due to a deconsolidated jointly-controlled entity of HK$174,665,000, upon completion of the liquidation of TGIL, the amounts will be net off with the amounts due from a deconsolidated jointly-controlled entity amounting to approximately HK$152,067,000 (which had been fully impaired as at 31 December 2014). The remaining balance will be settled by the internal resources of the Group.

    (b) In respect of the amounts due to deconsolidated subsidiaries amounting to HK$70,717,000, the balances will be fully written off upon completion of the liquidation of these deconsolidated subsidiaries, or the Company plans to implement the restructuring of the PRC subsidiaries, including but not limited to winding up the PRC subsidiaries (upon the discharge of Provisional Liquidators).

17. The number of shares used for the calculation of the unaudited adjusted consolidated net tangible liabilities attributable to the owners of the Company per Share as at 31 December 2014 and prior to completion of the Restructuring is based on 7,820,554,682 Shares in issue as at 31 December 2014.

18. The number of shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after completion of the Restructuring is based on 28,421,831,510 Shares in issue upon completion of the Restructuring, which represents:

    (i) 7,820,554,682 Shares in issue as at 31 December 2014;

    (ii) 3,910,277,341 Offer Shares to be issued;

    (iii) 3,100,000,000 Subscription Shares to be issued;

    (iv) 1,926,810,834 new Shares to be issued under the Creditors' Scheme;

    (v) 9,382,164,000 new Shares to be issued under the Shipyard Termination Agreement; and

    (vi) 2,282,024,653 new Shares to be issued under the Assumption Agreement upon Resumption.

    3,910,277,341 Offer Shares was calculated assuming no outstanding convertible securities being exercised and converted respectively on or before the Record Date.

D. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN AN INVESTMENT CIRCULAR

TO THE DIRECTORS OF TITAN PETROCHEMICALS GROUP LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Titan Petrochemicals Group Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position of the Group as at 31 December 2014, and related notes as set out on pages II -1 to II -7 of the investment circular issued by the Company dated 29 May 2015. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described in page II -1.

The pro forma financial information has been compiled by the directors to illustrate the impact of the Restructuring on the Group's financial position as at 31 December 2014 as if the Restructuring had taken place at 31 December 2014. As part of this process, information about the Group's financial position, has been extracted by the directors from the Group's consolidated financial statements for the year ended 31 December 2014, on which an audit report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, 'Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3420, 'Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus', issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7, 'Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars' issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806
Hong Kong, 29 May 2015

A. PROFIT FORECAST FOR THE TWO YEARS ENDING 31 DECEMBER 2015 AND 2016

(A) PROFIT FORECASTS

Profit forecasts for the year ending 31 December	2015 approximately	2016 approximately
Forecast consolidated profit attributable to the Shareholders for the year ending 31 December *(Note 1)*	HK$1,663.0 million *(Note 3)*	HK$10.1 million *(Note 4)*
Forecast consolidated profit/(loss) (excluding exceptional items) attributable to the Shareholders for the year ending 31 December *(Note 2)*	HK$(315.2) million *(Note 5)*	HK$10.1 million
Unaudited pro forma forecast profit per new Share for the year ending 31 December *(Note 2)*	HK$0.059	HK$0.0004

Notes:

1. The basis and assumptions on which the above consolidated profit forecast for the years ending 31 December 2015 and 2016 has been prepared are summarised in the section below.

2. The number of Shares of 28,421,831,510 used for the calculation of the unaudited pro forma forecast profit per Share for the years ended 31 December 2015 and 2016 after completion of the Restructuring represents:

   (i) 7,820,554,682 Shares in issue as at 31 December 2014;

   (ii) 3,910,277,341 Offer Shares to be issued;

   (iii) 3,100,000,000 Subscription Shares to be issued;

   (iv) 1,926,810,834 new Shares to be issued under the Creditors' Scheme;

   (v) 9,382,164,000 new Shares to be issued under Shipyard Termination Agreement; and

   (vi) 2,282,024,653 new Shares to be issued under the Assumption Agreement upon Resumption.

   3,910,277,341 Offer Shares was calculated assuming no outstanding convertible securities being exercised and converted respectively on or before the Record Date.

3. Forecast consolidated profit attributable to the Shareholders for the year ending 31 December 2015 is mainly attributable to the revenue generated from the first order of oil rig construction (being the Group's principal activity after Resumption) upon the completion of the Restructuring (the "First Order") (with the production of which is expected to be commenced in the fourth quarter of 2015), netting off respective costs of sales, and the non-recurring gains (the "Non-Recurring Gains") (including but not limited to the net gains arising from (i) the extension of redemption period of the Listco Preferred Shares; (ii) the deconsolidation of a subsidiary of the Company; (iii) subsidiaries creditors' scheme; and (iv) Debt Restructuring).

4. Assuming no Non-Recurring Gains for the year ending 31 December 2016, the forecast consolidated profit attributable to the Shareholders for the year ending 31 December 2016 represents solely the operating results, being revenue netting off respective costs of sales, of the First Order and two new orders (which is expected to commence production in the second and fourth quarter in 2016 respectively).

5. The figures represented the operating profit of the Group, excluding the net gains arising from (i) the extension of redemption period of the Listco Preferred Shares; (ii) the deconsolidation of a subsidiary of the Company; (iii) subsidiaries creditors' scheme; and (iv) Debt Restructuring.

(B) BASIS AND ASSUMPTIONS

The forecast consolidated profits attributable to Shareholders for the year ending 31 December 2015 and 2016 is prepared by the Directors with the following bases:

1. The forecast consolidated profits attributable to Shareholders for the years ending 31 December 2015 and 2016 are prepared based on the audited consolidated accounts of the Group for the year ended 31 December 2014. The forecast has been prepared based on the accounting policies consistent in all material respects of those presently adopted by the Group as set out in the audited financial statements of the Company for the year ended 31 December 2014.

2. For the financial years ending 31 December 2015 and 2016 (the "Forecast Period"), the Group is engaged in the offshore and marine engineering business.

3. The production of the first three orders of oil rig construction (being the Group's principal activity after Resumption) will be commenced and generate revenue as and when expected during the Forecast Period. Revenue and respective costs of sales will be recognised based on stage and percentage of completion.

   For the year ending 31 December 2015, it is expected that the construction work of a semi-submersible pursuant to the GZE Purchase Order MOU will commence and start revenue recognition of such order accordingly in November 2015. The order is expected to be delivered in and generate revenue until the fourth quarter of 2018.

   For the year ending 31 December 2016, it is expected that (i) the construction work of a semi-submersible pursuant to the FTSD Purchase Order Framework Agreement will commence and start revenue recognition of such order accordingly in April 2016 and expected to be delivered in and generate revenue until the first quarter of 2019; and (ii) the construction work of a jackup rig pursuant to the GZE Purchase Order MOU will commence and start revenue recognition of such order accordingly in November 2016 and expected to be delivered in and generate revenue until the first quarter of 2019.

4. A fixed annual fee of US$2,000,000 (or pro rata if less than twelve calendar months) will be incurred from the commencement of production of the First Order according to the Management Services Agreement throughout the Forecast Period.

5. A variable fee, being 3% (or such other percentage as FELS and TQS may mutually agree in writing from time to time) of the revenue of TQS for such year as shown in its audited financial statements in respect of such year less the aggregate amount of any fees paid by TQS during such year to FELS or any of its related corporations for carrying out sub-contracted work under any customer contract and for the use of any design and specialisation, any name, mark, service mark or logo of FELS or any of its related corporations. The variable fee with respect to any year will only be payable by TQS to FELS if the earnings before interest, taxes, depreciation and amortisation of TQS as shown in its audited financial statement in respect of that year reaches an agreed threshold as stated in the Management Services Agreement. No variable fee is expected to be incurred in the year ending 31 December 2015 as the earnings before interest, taxes, depreciation and amortisation of TQS for the year ending 31 December 2015 is expected to be less than the agreed threshold. For prudence sake, it is assumed that no subcontracting fee is paid by TQS to FELS in the year ending 31 December 2016 so that the variable fee to be incurred for the year ending 31 December 2016 will be at the maximum.

6. General administration expenses are estimated in accordance with the activities as stipulated in the Forecast Period and the best estimation for future costs expected to be incurred with reference to the historical cost.

7. Legal and professional fee are estimated based on the mandate signed and the best estimation for future costs expected to be incurred with reference to the historical fees charged.

8. Finance costs are estimated according to the terms of financing agreements entered into and expected to be entered into.

9. The scheme consideration is estimated as stipulated in the subsection headed "B. UPDATE ON DEBT RESTRUCTURING – Creditors' Scheme".

The major assumptions for the preparation of the forecast consolidated profit attributable to Shareholders for the year ending 31 December 2015 and 2016 including but not limited to:

1. Trading of Shares will be resumed in July 2015.

2. The winding up petition will be withdrawn in July 2015.

3. The deconsolidation of a subsidiary and the subsidiaries creditors' scheme will be in place in 2015.

4. Completion of the Debt Restructuring of the Group will take place in 2015.

5. Completion of Listco Preferred Shares Modification Deed will take place in 2015.

6. There will be no material changes in existing political, legal, fiscal, market or economic condition in Hong Kong, the PRC and other countries in which the Group carries on business throughout the Forecast Period.

7. There will be no material changes in the laws, regulations and policies in Hong Kong, the PRC, or elsewhere which affect the business that the Group carries on throughout the Forecast Period.

8. There will be no material changes in inflation rates, interest rates, construction material prices and foreign exchange rates from those currently prevailing throughout the Forecast Period.

9. There will be no material changes in the bases or rates of taxation, surcharges or government levies applicable to the operations of the Group throughout the Forecast Period.

10. There will be no disaster, natural, political or otherwise, which would materially disrupt the business or operations of the Group or cause substantial loss, damage or destruction to its facilities throughout the Forecast Period.

11. There will be no abnormal or extraordinary items, save for the gain result from the Restructuring, the scheme of arrangement of TRML and deconsolidation of subsidiaries and resumption professional fees, occur during the Forecast Period.

12. The Directors and key senior management of the Group will continue to involve in the development and operation of the Group and the Group will be able to retain its key senior management and personnel during the Forecast Period.

13. There will be no interruption of the Group's operations that will adversely affect the trading, financial and prospects of the Group as a result of any other circumstances beyond management control.

14. No major litigation costs will be incurred during the Forecast Period.

15. The Group's operation will not materially and adversely affected by any of the risk factors set out in "M. Risk Factors" in this circular.

The Company will comply with Rule 13.24B of the Listing Rules if any matters or event, which would have material impact on the profit forecast, occur during the Forecast Period and will publish announcement(s) as and when appropriate.

B. LETTER FROM THE REPORTING ACCOUNTANTS ON PROFIT FORECAST

The following is the text of a report received from HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group for the sole purpose of inclusion in this circular.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

The Board of Directors
Titan Petrochemicals Group Limited
(Provisional Liquidators appointed)
4902 Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

Dear Sirs

In accordance with our engagement letter dated 7 April 2014, we have performed the procedures agreed with you which are set out below on the memorandum of profit and cash flow forecasts for the years ending 31 December 2015 and 2016 (the "Forecast") of Titan Petrochemicals Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") dated 29 May 2015. The Forecast has been prepared by the directors of the Company (the "Directors") in connection with resumption proposal submitted to the Stock Exchange of Hong Kong Limited (the "Resumption Proposal") dated 29 May 2015. Our engagement was conducted in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The procedures were performed solely to assist you in providing the Forecast in connection with the Resumption Proposal.

For the purpose of this report, the procedures performed are summarised as follows:

1. Check whether the Forecast, so far as the accounting policies and calculations are concerned, is properly compiled in accordance with the basis of the assumptions set out in the Forecast;

2. Check whether the Forecast is made by the directors of the Company, after care and consideration by the board of directors of the Company;

3. Check whether the Forecast is made in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA; and

4. Check the arithmetical calculations of the Forecast.

Based on the information and documents made available to us, we report our findings below:

a. The Forecast, so far as the accounting policies and calculations are concerned, is properly compiled in accordance with the basis of the assumptions set out in the Forecast;

b. The Forecast is made by the directors of the Company, after care and consideration by the Board of Directors;

c. The Forecast is made in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA; and

d. The arithmetical calculations of the Forecast are correct.

Because the above procedures did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, we do not express any assurance on the Forecast.

Had we performed additional procedures or had we performed an assurance engagement in respect of the Forecast in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the second paragraph of this report and is for your information only, and is not to be used for any other purpose or to be distributed to any other parties and we expressly disclaim any liability or duty to any other party in this respect. This report relates only to the items specified above and does not extend to the financial statements of the Group, taken as a whole.

Yours faithfully

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Wong Sze Wai, Basilia
Practising Certificate Number: P05806
Hong Kong, 29 May 2015

C. REPORT FROM THE FINANCIAL ADVISERS ON THE PROFIT FORECAST

Quam CAPITAL 華富嘉洛企業融資 **Quam Capital Limited**
A Member of The Quam Group

29 May 2015

The Board of Directors
Titan Petrochemicals Group Limited
(Provisional Liquidators appointed)
4902 Sun Hung Kai Centre
30 Harbour Road, Wanchai
Hong Kong

Dear Sirs,

We refer to the profit forecast of Titan Petrochemicals Group Limited (Provisional Liquidators appointed) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), for two financial years ending 31 December 2015 and 2016 (the "Profit Forecast") as set out in the circular dated 29 May issued by the Company to the Shareholders (the "Circular") and of which this letter forms part. Terms used in this letter, unless otherwise defined, shall have the same meanings as those used in the Circular.

We are engaged to assist the directors of the Company (the "Directors") and the joint and several provisional liquidators of the Company (the "Provisional Liquidators") (together, the "Parties"), to comply with paragraph 29(2) of Appendix lb of the Listing Rules and Rule 10 of the Takeovers Code. We are not reporting on the arithmetical calculations of the Profit Forecast and the adoption of accounting policies thereof. We have reviewed the forecasts in deriving the Profit Forecast for which the Directors are solely responsible, and have discussed with the Parties the information and documents provided by the Directors which formed part of the bases and assumptions, which are set out in section A in Appendix III to the Circular, upon which the Profit Forecast has been prepared. We have also considered the letter from Hodgson Impey Cheng Limited dated 29 May 2015 addressed to the Company regarding the calculations and accounting policies upon which the underlying profit forecast to the Profit Forecast have been made.

Our work has been undertaken for the purpose of reporting solely to the Board under paragraph 29(2) of Appendix lb of the Listing Rules and Rule 10 of the Takeovers Code and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

On the basis of the foregoing, we are of the opinion that the Profit Forecast, for which the Directors are solely responsible, (i) has been made with due care and consideration by the Directors, and (ii) has been made by the Directors after due and careful enquiry.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Gary Mui
Deputy Chief Executive Officer
Head of IPO and Capital Markets

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular, received from Access Partner Consultancy & Appraisals Limited, an independent professional valuer, in connection with its valuation as of 30 April 2015 of the properties held by the Group.



15/F, No. 80 Gloucester Road,
Wanchai,
Hong Kong

29 May 2015

The Board of Directors
Titan Petrochemicals Group Limited
(Provisional Liquidators appointed)
4902 Sun Hung Kai Centre
30 Harbour Road, Wanchai
Hong Kong

Dear Sirs/Madams,

Valuation of (i) lands and various buildings located at No.1 Shipyard Road, Jingfeng Town, Hui'an County, Quanzhou City, Fujian Province, the People's Republic of China (the "PRC") and (ii) a parcel of land located at Western side of Houzhu Port and Southern side of Beixing Community in Donghai Street, Fengze District, Quanzhou City, Fujian Province, the PRC

INSTRUCTION

In accordance with your instructions for Access Partner Consultancy & Appraisals Limited ("Access Partner" or "we") to value captioned properties (the "Properties") held by Titan Petrochemicals Group Limited (the "Company") and/or its subsidiaries (collectively as the "Group") in the PRC, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as of 30 April 2015 (the "Date of Valuation").

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Access Partner acknowledges that this report may be made available to the Company for public documentation purpose and used as reference on the Company's circular dated 29 May 2015 (the "Circular").

We will not accept any responsibility or liability to any third party to whom in respect of, or arising out of, the contents of this report may be shown.

2. BASIS OF VALUATION

Our valuation has been based on **market value**, which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

3. VALUATION METHODOLOGY

Due to the specific purpose for which the buildings of the Properties have been constructed, there are no readily identifiable market comparables. Thus the buildings have been valued on the basis of Depreciated Replacement Cost Approach ("DRC"). Depreciated replacement cost is defined as "the aggregate amount of the value of the land for the existing use or a notional replacement site in the same locality and the gross replacement cost of the buildings and other site works, from which appropriate deductions may then be made to allow for the age, condition, economic or functional obsolescence and environmental and other relevant factors; all of these might result in the existing property being worth less to the undertaking in occupation than would a new replacement". In practice, DRC may be used as a substitute for the valuation of specialised property due to the lack of market comparables available in the relevant markets.

Regarding to the land portion of the Properties, we have adopted the Direct Comparison Approach by making reference to the comparable market transactions/asking prices as available in the relevant markets where appropriate.

4. TITLE INVESTIGATION

We have been provided with copies of extracts of title documents relating to the Properties. However, we have not searched the original documents to ascertain the existence of any amendments which do not appear on the copies handed to us. We have relied to a very considerable extent on information given by the Group and the Group's PRC legal advisor, Beijing Beidou Dingming (Guangzhou) Law Firm (北京市北斗鼎銘(廣州)律師事務所) in respect of the titles to the Properties in the PRC. All documents have been used for reference only.

In valuing the Properties, we have relied on the advice given by the Group and its PRC legal advisor that the Group has valid and enforceable titles to the Properties which are freely transferable, and have free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

5. MAJOR ASSUMPTIONS

Our valuation has been made on the assumption that the sellers sell the Properties in the market in its existing conditions without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the Properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the Properties and no allowance has been made for the Properties to be sold in one lot or to a single purchaser.

Our valuation does not necessarily represent the amount that might be realised from the disposition of the Properties.

6. SOURCES OF INFORMATION

In valuing the Properties, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, identification of the Properties, particulars of occupation, areas, ages of buildings and all other relevant matters which can affect the values of the Properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and no reason to suspect that any material information has been withheld.

7. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of the Properties. However, no structural survey has been made in respect of the Properties. However, in the course of our inspection, we did not note any serious defect. We are not, however, able to report that whether the Properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building facilities of the Properties.

No detailed measurement have been carried out by us to verify the correctness/accuracy of the areas (neither site nor floor) in respect of the Properties under consideration but we have assumed that the site/floor areas shown on the title documents handed to us are correct. Unless otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuation for any charge, mortgage or amount owing on any of the Properties being appraised nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the Properties, we have complied with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the management of the Company, the potential tax liabilities which may arise from the sale of the Properties in the PRC, such as PRC business tax (tax rate is equivalent to 5% of sales revenue), PRC land appreciation tax (tax rate is equivalent to 30%-60% of the net appreciation amount) and PRC corporate income tax (tax rate is 25%). It is unlikely that such kinds of the tax liabilities will be crystallised in the near future due to the fact that the Group has no intention to dispose of or transfer the relevant property interests. In the course of our valuation, we have neither verified nor taken into account the tax liabilities.

8. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

Our valuation certificates are hereby enclosed for your attention.

Yours faithfully,
For and on behalf of
Access Partner Consultancy & Appraisals Limited
Raymond Chan
MHKIS
Associate Director

Note:

Mr. Chan is a member of Hong Kong Institute of Surveyors. He has had over 10 years' valuation experience in Hong Kong and the PRC.

SUMMARY OF VALUES

No.	Property	Market Value in Existing State as of 30 April 2015
Group I – Property held and occupied by the Group		
1.	Lands and various buildings located at No.1 Shipyard Road, Jingfeng Town, Hui'an County, Quanzhou City, Fujian Province, the PRC	RMB493,000,000
Group II – Property held for investment by the Group		
2.	A parcel of land located at Western side of Houzhu Port and Southern side of Beixing Community in Donghai Street, Fengze District, Quanzhou City, Fujian Province, the PRC	RMB130,000,000
	Grand-total:	RMB623,000,000

VALUATION CERTIFICATE

Group I – Property held and occupied by the Group

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as of 30 April 2015
1.	Lands and various buildings located at No.1 Shipyard Road, Jingfeng Town, Hui'an County, Quanzhou City, Fujian Province, the PRC 位於中國福建省泉州市惠安縣淨峰鎮船廠大道1號的土地及多幢樓宇	The property comprises a total of 5 parcels of land with a total site area of approximately 1,123,857.20 sq.m. and various buildings erected thereon, which were completed between 2007 and 2010. The total gross floor area of the property is about 86,048.37 sq.m.. Details are stipulated in Note 2. The land use rights of the property have been granted for various terms with expiry date between 9 September 2055 and 3 August 2059 for industrial use.	As of the Date of Valuation, the property is occupied by the Group as a multi-functional shipyard to provide ship repairing, ship building and offshore engineering business and related facilities.	RMB493,000,000

Notes:

1. Pursuant to 5 State-owned Land Use Rights Certificates, the land use rights of the property with a total site area of approximately 1,123,857.20 sq.m. have been issued by Hui'an County People's Government (惠安縣人民政府) to Titan Quanzhou Shipyard Co., Ltd (泉州船舶工業有限公司)("Titan Quanzhou Shipyard"), an indirect wholly-owned subsidiary of the Company, for various terms for industrial use. The details of which are as follows:

Land Use Rights Certificate No.	Expiry Date	Site Area *(sq.m.)*
Hui Guo Yong (2005) Chu Zi No.070004	13 September 2055	148,374
Hui Guo Yong (2005) Chu Zi No.070005	9 September 2055	487,614
Hui Guo Yong (2008) Chu Zi No.070008	23 May 2058	445,000
Hui Guo Yong (2007) Chu Zi No.070004	25 January 2057	33,000
Hui Guo Yong (2009) Chu Zi No.070003	3 August 2059	9,869.2
	Total:	1,123,857.20

2. Pursuant to 6 Building Ownership Certificates issued by Hui'an County Planning Board (惠安縣規劃建設局), various buildings of the property with a total gross floor area of approximately 86,048.37 sq.m. are legally owned by the Group. The details of which are as follows:–

Building Ownership Certificate	Use	Gross Floor Area *(sq.m.)*
Fang Quan Zhen Hui Jing Zi No.00301	Staff Quarters	20,939.24
Fang Quan Zhen Hui Jing Zi No.00302	Factory	23,191.52
Fang Quan Zhen Hui Jing Zi No.00303	Workshop	8,019.31
Fang Quan Zhen Hui Jing Zi No.00304	Workshop	4,375.02
Fang Quan Zhen Hui Jing Zi No.00312	Factory	21,302.55
Fang Quan Zhen Hui Jing Zi No.00313	Composite Building	8,220.73
	Total:	86,048.37

3. Our inspection was performed by Mr. Ng Chun Fai, who has over 6 years' valuation experience, in January 2015.

4. Pursuant to 4 Banking Facility Contracts (流動資金借款合同) – No. HT820041130400004, HT820041130400005, HT820041130400006 and HT82004113040007, the land use rights of the property with an area of approximately 33,000 sq.m. and 9,869.2 sq.m. under the State-owned Land Use Rights Certificate – Hui Guo Yong (2007) Chu Zi No. 070004 and Hui Guo Yong (2009) Chu Zi No. 070003 respectively and buildings under the Building Ownership Certificates – Fang Quan Zhen Hui Jing Zi No. 00301 and 00313 are subject to a mortgage in favour of Chidian Branch, Bank of Quanzhou Limited (泉州銀行股份有限公司池店支行)("BQ"), as security to guarantee the principal obligation for an amount of RMB40,000,000.

   Pursuant to a Loan Transfer Agreement (債權轉讓協議) dated 28 November 2014 signed between BQ and Fujian Wonderful Energy Co., Ltd. (福建旺得福能源有限公司)("Fujian Wonderful") an independent third party of the Group, the mortgage (together with the underlying security, which means the abovementioned land use rights and the building certificates) had been transferred from BQ to Fujian Wonderful as security to guarantee the total obligation for an amount of RMB42,184,617.02.

5. Pursuant to (i) a Certified Letter of Other Rights over Land (土地他項權利証明書) – Hui Tu Ta Xiang (2014) No. 53 issued by the Bureau of Land Resources of Hui'an County (惠安縣國土資源局) dated 28 May 2014 and (ii) a Certified Letter of Construction in Progress Pledge (在建工程抵押登記証明) – Hui Fang Jian (2013) Zi No. 2481 issued by the Hui'an County Planning Board (惠安縣規劃建設局) dated 13 November 2013, the land use right of the property with an area of approximately 445,000 sq.m. and 487,614 sq.m. under the State-owned Land Use Rights Certificate – Hui Guo Yong (2008) Chu Zi No. 070008 and Hui Guo Yong (2005) Chu Zi No. 070005 respectively and the certificates of construction planning – Land Use Permit (建設用地規劃許可証) No. 04060, Building Permit (建設工程規劃許可証) No. 350521200800021 and Construction Permit (建築工程施工許可証) No. 350521200805220401 (collectively the "Planning Certificates", which had become to the Building Ownership Certificates – Fang Quan Zhen Hui Jing Zi No. 00303 and 00312 as informed by the Group) are subject to a mortgage in favour of Guangdong Zhenrong Energy Co., Ltd. (廣東振戎能源有限公司)("GZE"), the controlling shareholder of the Company, transferred originally from Fuzhou Branch, Shanghai Pudong Development Bank (上海浦東發展銀行股份有限公司福州分行)("Pudong Bank"), as security to guarantee the principal obligation for an amount of RMB161,260,000 and RMB177,880,000 respectively.

6. As per our latest market research, the land with industrial use in the subject locality has a unit rate ranging from RMB200 per sq.m. to RMB400 per sq.m..

7. We have been provided with a legal opinion on the titles to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:

   a) Regarding to Note 4, the transfer of the mortgage from BQ to Fujian Wonderful is valid under the PRC law;

   b) Regarding to Note 5, the transfer of the mortgage from Pudong Bank to GZE is valid under the PRC law;

   c) The Group is in possession of proper legal titles to the property and, subject to prior approval of the mortgagors, Fujian Wonderful and GZE respectively, entitled to transfer the property with legal protection under the PRC law; and

   d) Except for the aforesaid mortgages, the property is not subject to other mortgages or any other material encumbrances.

VALUATION CERTIFICATE

Group II – Property held for investment by the Group

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as of 30 April 2015
2.	A parcel of land located at Western side of Houzhu Port and Southern side of Beixing Community in Donghai Street, Fengze District, Quanzhou City, Fujian Province, The PRC 位於中國福建省泉州市豐澤區東海街道北星社區南側、後渚港區西側的一幅土地	The property comprises a parcel of land with a site area of approximately 26,557.60 sq.m. for the maximum plot ratio of 3.5. The land use right of the property has been granted for a term expiring on 1 March 2058 for office and utilities use.	As at the Date of Valuation, the property is bare site.	RMB130,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Quan Guo Yong (2008) No.200187 issued by Quanzhou City People's Government (泉州市人民政府) in June 2008, the land use right of the property with a site area of approximately 26,557.60 sq.m. has been granted to Titan Petrochemicals (Fujian) Ltd. (泰山石化(福建)有限公司)("TPFL"), a wholly-owned subsidiary of the Company, for a term expiring on 1 March 2058 for office and utilities use.

2. Pursuant to 4 Banking Facility Contracts (國內訂單融資協議)– No. 14080111-2012 (Hui'an) Zi No. 0115, 0116, 0142 and 0149, the land use right of the property with an area of approximately 26,557.60 sq.m. under the State-owned Land Use Rights Certificate – Quan Guo Yong (2008) No. 200187 is subject to a mortgage in favour of Hui'an Branch, Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司惠安支行)("ICBC"), as security to guarantee the principal obligation for an amount of RMB82,899,981.17.

   Pursuant to a Loan Transfer Agreement (債權轉讓協議)– Gong Fu Zhai Quan Zhuan Xie (2014) No. 001 dated 24 July 2014 signed between ICBC and Fujian Wonderful, an independent third party of the Group, the mortgage (together with the underlying security, which means the abovementioned land use right) had been transferred from ICBC to Fujian Wonderful as security to guarantee the total obligation for an amount of RMB94,330,288.95.

3. Our inspection was performed by Mr. Ng Chun Fai, who has over 6 years' valuation experience, in January 2015.

4. As per our latest market research, the land with similar use in the subject locality has a unit rate ranging from RMB1,100 per sq.m. to RMB2,700 per sq.m..

5. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following information:

   a) Regarding to Note 2, the transfer of the mortgage from ICBC to Fujian Wonderful is valid under the PRC law;

   b) The Group is in possession of a proper legal title to the property and, subject to prior approval of the mortgagor, Fujian Wonderful, entitled to transfer the property with legal protection under the PRC law; and

   c) Except for the aforesaid mortgage, the property is not subject to other mortgages or any other material encumbrances.

Details of the proposed amendments to the schedule to Bye-Laws are set out as follows:

SCHEDULE TO BYE-LAWS

All Preferred Shares shall carry equal rights and rank *pari passu* with one another and carry the rights set out in paragraphs 2 to 11 below.

1. Definitions

1.1 In this Schedule, (i) the provisions of Bye-law 1 shall not apply and (ii) the following terms shall have the following meanings, unless the context otherwise requires:

"Affiliates" means with respect to any person/company, any other person/company that, directly or indirectly, controls, is controlled by, or is under common control with, such person/company;

"Approved Investment Bank" means an investment bank of international standing and repute selected by the Directors;

"associate" has the meaning ascribed to it under the Listing Rules;

"Auditor" means the auditors for the time being of the Company;

"authorised denominations" means 10,000,000 Preferred Shares or integral multiples thereof;

"Bye-laws" means at any time the bye-laws of the Company at that time;

"Business Day" means any day (other than a Saturday, Sunday, public holiday or a day on which a tropical cyclone warning no. 8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.), on which banks are open for general banking business in Hong Kong;

~~"Change of Control Redemption Event" means any of the events set out in paragraphs (i) to (iv) of the definition of "Redemption Event";~~

"Companies Act" means the Companies Act 1981 of Bermuda;

"connected person" has the meaning ascribed to it under the Listing Rules;

"controlling shareholder" has the meaning ascribed to it under the Listing Rules;

"Conversion Date" means the Business Day following the day on which an effective Conversion Notice shall have been delivered;

"Conversion Notice" means a written notice delivered to the Company at its Specified Office indicating that a Preferred Shareholder elects to convert the number of Preferred Shares as specified therein pursuant to Paragraph 3.2;

"Conversion Number" means, in relation to any Preferred Share, such number of Ordinary Shares as may, upon exercise of the Conversion Right, be subscribed at the Conversion Price in force on the relevant Conversion Date;

"Conversion Period" means, in respect of any Preferred Share, the period from: the first anniversary after the date of issue of the Preferred Shares (or such earlier date as may be approved by the Directors) until (and including) the day prior to the Redemption Date (if any) in respect of that Preferred Share;

"Conversion Price" means, at any time, an amount in Hong Kong dollars per Ordinary Share equal to HK$0.56 subject to adjustments set out in Paragraph 4;

"Conversion Right" in respect of a Preferred Share means the right of its holder, subject to the provisions of the Bye-laws and the Bermuda Companies Act and to any other applicable fiscal or other laws or regulations, to convert all or any of its Preferred Shares, each of which shall be deemed to have a value equal to the Notional Value, into the Conversion Number of Ordinary Shares;

"Director(s)" means at any time the director(s) of the Company at that time;

"Effective" means when an office copy of the order of the Supreme Court of Bermuda sanctioning the Scheme is delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Bermuda Companies Act 1981;

"Equity Share Capital" means the issued share capital of the Company excluding any part thereof which does not either as respects dividends or as respects capital carry any right to participate beyond a specified amount or beyond an amount calculated by reference to a specified rate in a distribution;

"Financial Debt" means borrowings and other indebtedness by way of overdraft, acceptance credit or similar facilities, loan stocks, bonds, debentures, notes, debt or inventory financing, project financing, finance leases or sale and lease back arrangements or any other arrangements the purpose of which is to borrow money, together with forex, interest rate or other swaps, hedging obligations, bills of exchange, recourse obligations on factored debts and obligations under other derivative instruments but excludes (i) any obligations under the Preferred Shares and the Warrants; and~~,~~ (ii) Short Term Working Capital Debt~~ and (iii) any such indebtedness or arrangements between members of the Titan Group (excluding the ProjectCo and its Subsidiaries from time to time)~~;

"Fully Diluted Share Capital" means, at any relevant time, the total number of Ordinary Shares then outstanding, assuming the issuance, conversion, exchange or exercise infull of all the then outstanding Preferred Shares and Warrants and any share options or awards that have been issued under any employee incentivisation plan that has been adopted or approved by Titan;

"Group" means the Company and its Subsidiaries from time to time;

~~"Indenture" means the indenture dated as of March 17, 2005 between the Company and the Subsidiary Guarantors (as defined therein) and Zhen Rong Titan Company Limited and Deutsche Bank Trust Company Americas in respect of the Notes;~~

~~"Investor Rights Agreement" means the investor rights agreement to be entered into between WP and the Company;~~

"Listing Rules" means the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;

"Market Price" has the meaning as defined in Paragraph 4.2;

"Member" or "Shareholder" means each person entered in the register of members of the Company as the registered holder of shares in the capital of the Company and includes a registered holder of Ordinary Shares and/or Preferred Shares as the context may indicate;

"Notes" means the US$400,000,000 8.50% Guaranteed Senior Notes Due 2012 issued by the Company;

"Notional Value" means at any time the value of HK$0.56 attributed to each Preferred Share, subject to adjustment for any consolidation or sub-division of Preferred Shares in accordance with Paragraph 4.1(i) mutatis mutandis;

"Ordinary Shares" or "Ordinary Capital" means the shares of par value HK$0.01 each in the capital of the Company existing on the date hereof and all other (if any) stock or shares from time to time and for the time being rank pari passu therewith and all other (if any) shares or stock in the Equity Share Capital resulting from any subdivision, consolidation or reclassification of shares;

"Preferred Dividend" means the cumulative preferential dividend payable pursuant to Paragraph 2.1;

"Preferred Shares" means the convertible preferred shares of par value HK$0.01 each in the capital of the Company, the rights and obligations of which are set out in this schedule to these Bye-laws;

"Preferred Shareholder" means Shareholders of the Preferred Shares;

~~"ProjectCo" means Titan Group Investment Limited or, in the event of a reorganization involving the PRC oil storage business of the Titan Group, any company holding all or substantially all of ProjectCo's assets (excluding ProjectCo);~~

~~"ProjectCo Ordinary Shares" means the ordinary shares of US$1.00 each in the capital of ProjectCo;~~

~~"ProjectCo Preferred Shares" means the redeemable convertible preferred shares of US$1.00 each in the capital of ProjectCo;~~

~~"ProjectCo Fully Diluted Share Capital" means, at any relevant time, the total number of ProjectCo Ordinary Shares then outstanding, assuming the issuance, conversion, exchange or exercise in full of all the then outstanding ProjectCo Preferred Shares and any share options or awards that have been issued under any employee incentivisation plan that has been adopted or approved by ProjectCo and excluding, for the avoidance of doubt, the ProjectCo Ordinary Shares to be issued pursuant to the ProjectCo Warrant;~~

~~"ProjectCo Warrant" means the warrant issued to Warburg Pincus (Bermuda) Private Equity IX, L.P entitling it, in certain circumstances, to subscribe for such number of ProjectCo Ordinary Shares as to give it 50.1% of the voting rights in ProjectCo;~~

"Record Date" means the date and time by which a subscriber or transferee of securities of the class in question would have to be registered in order to participate in the relevant distribution or rights;

"Redemption Event" means any of the following events:

~~(i) Titan Oil ceasing to directly or indirectly through its subsidiaries or nominees to own 35% or more of the Ordinary Shares;~~

~~(ii) Titan Oil ceasing directly or indirectly through its subsidiaries or nominees to be the single largest shareholder of the Company (other than in circumstances where WP or its associates is or are together such single largest shareholder;~~

~~(iii) Mr. Tsoi Tin Chun ceasing be a controlling shareholder of Titan Oil (other than as a result of a temporary reduction of shareholding to facilitate a vendor top up placing by the Company);~~

~~(iv) the Company ceasing directly or indirectly through its subsidiaries or nominees to be the single largest shareholder of ProjectCo (other than as a result of an exercise of the 2007 Warrant).~~

(i~~v~~) the Company is insolvent or is unable due to lack of financial resources or facilities to pay any indebtedness which has become due and payable;

(i~~v~~i) any person (other than a holder of Preferred Shares) presents a petition or takes any other step to appoint a liquidator, provisional liquidator, manager, receiver, administrator, administrative receiver or other similar officer in respect of any assets of the Company and any such proceedings remains undismissed for a period of 45 consecutive days;

(i~~v~~ii) the Company convenes a meeting of its creditors to consider, or makes or proposes to its creditors generally, any arrangement or composition with, or any assignment for the benefit of, its creditors generally; or

(iv~~iii~~) a court of competent jurisdiction makes an order or a resolution of the Company is passed, for the dissolution, winding-up, liquidation or administration of the Company.~~; or~~

~~(ix) without prejudice to any of the events set out in sub-paragraphs (i) to (viii) above, any Event of Default (as defined in the Indenture) occurs.~~

"Register of Members" means the register of the holders of Ordinary Shares and the Preferred Shareholders kept by the Company and includes any branch register;

"Restructuring" means the resumption proposal of the Company submitted to the Stock Exchange under the Practice Note 17 of the Listing Rules, in relation to the restructuring of the Company involving, among others, a restructuring of the debts at the level of the Company by a scheme of arrangement with the Company's creditors, an open offer of new Ordinary Shares and Warrants to be made by the Company to its Shareholders, the subscription by certain investors of new Ordinary Shares and Warrants issued by the Company and the issue of new Ordinary Shares to the Company's controlling Shareholder to settle certain debts;

"Scheme" means the scheme of arrangement under section 99 of the Bermuda Companies Act 1981 entered into between the Company and the Scheme Creditors;

"Scheme Creditors" means creditors of the Company under the Scheme;

"Settlement Date" means the date specified by the Company in the completion notice when scheme consideration shall be distributed to creditors of the Scheme in accordance with the terms of the Scheme following satisfaction (or waiver) of each of the conditions of the Scheme;

"Share Incentive Scheme" means any share award scheme approved in general meeting by the shareholders of the Company for the issue or grant to directors or employees or consultants of the Company and/or any of its Subsidiaries or any other persons as specified therein of awards (free of charge or for a nominal sum) Ordinary Shares or options to subscribe for Ordinary Shares;

"Share Option Scheme" means any scheme approved in general meeting by the shareholders of the Company for the issue or grant to directors or employees or consultants of the Company and/or any Subsidiary or any other persons as specified therein of options to subscribe for Ordinary Shares;

~~"Shipyard Transaction" means one or more transactions between the Company or its wholly-owned subsidiary and Titan Oil as contemplated in the Memorandum of Understanding between them dated March 28, 2007 referred to in the Company's announcement dated March 28, 2007;~~

"Short Term Working Capital Debt" means any Working Capital Debt with a term of less than three months;

"Specified Office" means Suite 4901~~1~~2, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong or such other office in Hong Kong as the Company may notify the holders of the Preferred Shares in writing;

"Stock Exchange" means the Stock Exchange of Hong Kong Limited;

"Subsidiary" means a company which is for the time being and from time to time a subsidiary (within the meaning of Chapter 1 of the Listing Rules) of the Company;

~~"Titan Oil" means Titan Oil Pte., Ltd., a company incorporated in Singapore;~~

"Warrants" means the warrants to subscribe for Ordinary Shares in accordance with the warrant instrument(s), of the Company issued or to be issued under or in connection with the Restructuring;

"Working Capital Debt" means, at any time, the aggregate of (i) import letters of credit, trust receipts with a term of less than three months and accounts payable, less the aggregate of (ii) export letters of credit and accounts receivable; and

~~"WP" means Warburg Pincus Private Equity IX, L.P or any of its Subsidiaries holding Preferred Shares.~~

1.2 References to "Paragraphs" are to the Paragraphs hereof.

2. As regards income

2.1 The holders of the Preferred Shares shall be entitled in priority to any distribution in respect of any other class of shares to a fixed cumulative preferential dividend at the rate of 4.70% per annum (the "Rate") on the Notional Value of each Preferred Share held.

Subject to applicable laws, the Preferred Dividend shall be paid out of the profits of the Company as shown on its accounts as available for distributions, on 30th June and 31st December in each year to the persons who are registered as holders of Preferred Shares on the day that is fourteen days prior to (but not including) the relevant date (or, if that fourteenth day is not a Business Day, the last preceding day which is a Business Day) in respect of the 6-month period ending on (but not including) that 30th June or 31st December as the case may be, except that the first such payment shall be payable on the 30th June or 31st December, as the case may be, (or, if that is not a Business Day, the last preceding day which is a Business Day) next following the date of issue of the Preferred Share, and shall be payable in respect of the period from the date of issue to (but not including) such 30th June or 31st December, as the case may be.

To the extent that such Preferred Dividends are not paid on the Preferred Shares they shall accumulate at the Rate and any such arrears (as accumulated) shall be paid to holders of the Preferred Shares on the next 30th June or 31st December (as the case may be) on which the Company may, in accordance with applicable laws, pay such arrears (as accumulated). To the extent that any such arrears are not paid to holders of the Preferred Shares, such arrears of Preferred Dividends shall continue to accumulate at the Rate and shall be payable to holders of the Preferred Shares *pari passu* between themselves, in preference to any other distribution in respect of any other class of shares. The Preferred Shares shall not confer any further rights to participate in the profits of the Company.

2.2 Subject to Paragraph 2.3 below, a Preferred Share shall carry the right to the Preferred Dividend in respect of all periods up to the end of the 6-month period ending on (but excluding) 30th June or 31st December as the case may be, on or immediately preceding the Conversion Date in respect of that Preferred Share but not in respect of any subsequent period. However, no Preferred Share the Conversion Date for which falls prior to the 30th June or 31st December, as the case may be, next following the date of issue of the Preferred Share, shall carry the right to any Preferred Dividend.

2.3 Any Preferred Share which is redeemed or converted shall carry the right to the Preferred Dividend calculated down to and exclusive of the date upon which such Preferred Share is redeemed or converted.

2.4 The amount of any Preferred Dividend payable in respect of a period of less than six months shall be calculated on the basis of a 365-day year and the actual number of days elapsed.

2.5 The Preferred Shares shall rank senior to all existing and future classes of ordinary shares and preferred shares, and shall be subordinated and junior to all indebtedness.

3. As regards conversion

3.1 Subject to the provisions of this schedule and to compliance with all fiscal and other laws and regulations applicable thereto, a Preferred Shareholder shall have the Conversion Right in respect of each Preferred Share held by him. After the expiry of the Conversion Period, any Conversion Rights which have not been exercised shall lapse and the Preferred Shares shall cease to be valid for any purpose.

3.2 The Preferred Shares shall be convertible at the option of the holders thereof, at any time after issue and without the payment of any additional sum, into the number of fully paid Ordinary Shares calculated by applying the then Conversion Price as adjusted in accordance with Paragraph 4. Such conversion shall take effect on the Business Day on which the Conversion Notice together with certificate(s) for the Preferred Shares to be converted is delivered to the Company and if any such notice is delivered on a day that is not a Business Day it shall be deemed given on the next Business Day thereafter.

3.3 A Conversion Notice shall not be effective if:-

(i) the Conversion Date in respect of the Conversion Notice does not fall within the Conversion Period;

(ii) it is not accompanied by the share certificates in respect of the relevant Preferred Shares and such other evidence (if any) as the Directors may reasonably require to prove the title of the person exercising such right (or, if such certificates have been lost or destroyed, such evidence of title and such indemnity as the Directors may reasonably require);

(iii) it is not accompanied by banker's cashier orders or similar instruments payable to the Company in respect of all taxes and stamp, issue and registration duties (if any) arising on conversion;

(iv) it does not include a declaration and confirmation that the beneficial owner of the relevant Preferred Shares, and of the relevant Ordinary Shares, is not a resident or national of any foreign jurisdiction where the exercise of the conversion rights attached to the relevant Preferred Shares is prohibited by any law or regulation of that jurisdiction or where compliance with such laws or regulations would require filing or other action by the Company; or that delivery of the relevant Preferred Shares or relevant Ordinary Shares will not result in a breach of any exchange control, fiscal or other laws or regulations for the time being applicable; or

(v) in the case of a Conversion Notice, the Conversion Date of which would result in conversion taking place at a time when it is either not possible or not practicable to amend the Register of Members to reflect the conversion of the Preferred Shares before such register is closed for determining Preferred Shareholders' entitlement to receive the Preferred Dividend payable in respect of the relevant six-month period, it is not accompanied by a banker's cashier order or similar instrument payable to the Company in an amount equal to the Preferred Dividend thereon which the registered holder is to receive.

3.4 Conversion of the Preferred Shares shall be effected in such manner as the Directors shall, subject to the Bye-laws and as may be authorized by law, from time to time determine.

Without prejudice to the generality of the foregoing, any Preferred Share may be converted by redemption on the relevant Conversion Date out of (i) the capital paid up on the Preferred Share or (ii) any share premium account of the Company or (iii) the funds of the Company which would otherwise be available for dividend or distribution or (iv) the proceeds of a fresh issue of shares made for the purpose, or any combination of (i), (ii), (iii) and/or (iv) in respect of the par value or any premium payable or such redemption as may be permitted by the Companies Act and each Conversion Notice shall be deemed to authorise and instruct the Directors to retain any redemption moneys otherwise payable to the converting Preferred Shareholder giving such notice and, in respect of each Preferred Share the subject of the Conversion Notice, to apply the same in the subscription on such converting Shareholder's behalf of the Conversion Number of Ordinary Shares (subject to the treatment of fractions described in Paragraph 4.9) and, to the extent that conversion shall be effected out of the proceeds of a fresh issue of shares, where appropriate, each Conversion Notice shall be deemed:

(i) to appoint as agent of such converting Preferred Shareholder any person selected by the Directors with authority to apply an amount equal to the redemption moneys in respect of the relevant Preferred Shares in subscribing on such converting Preferred Shareholder's behalf for the Conversion Number of Ordinary Shares (subject to the treatment of fractions described in Paragraph 4.9); and

(ii) to authorise and instruct the Directors following the allotment of such Ordinary Shares to pay the said redemption moneys to such agent who shall be entitled to retain the same for his own benefit without being accountable therefor to such converting Preferred Shareholder;

provided that if the converting Preferred Shareholder has a registered address in any territory where in the absence of a registration statement or any other special formalities the allotment or delivery of any relevant Ordinary Shares would or might in the opinion of the Directors be unlawful or impracticable under the laws of such territory or any relevant jurisdiction, then the Company shall as soon as reasonably practicable either (i) allot the relevant Ordinary Shares to one or more third parties selected by the Company or (ii) allot the relevant Ordinary Shares to the relevant Preferred Shareholder and then, on his behalf, sell them to one or more third parties selected by the Company, in each case for the best consideration then reasonably obtainable by the Company. As soon as reasonably practicable following any such allotment or allotment and sale, the Company shall pay the converting Preferred Shareholder an amount equal to the consideration received by it (net of expenses of sale if applicable) if the net amount exceeds HK$100.

3.5 Each Preferred Shareholder irrevocably authorises the Company to effect the transactions required by Paragraph 3.4 above and for this purpose the Company may appoint any person to execute transfers, renunciations or other document on behalf of the relevant Preferred Shareholder and generally may make all arrangements which appear to it to be necessary or appropriate in connection therewith.

The Company shall allot and issue the relevant Ordinary Shares or, as the case may be, send the amount to which he is entitled pursuant to Paragraph 3.4 above to the converting Preferred Shareholder and shall procure that certificates in respect of the relevant Ordinary Shares, together with a new certificate for any unconverted Preferred Shares comprised in the certificate(s) surrendered by him, are issued as soon as practicable and in any event not later than 28 days after the relevant Conversion Date.

If and whenever any conversion takes place after the occurrence of any event falling within any sub-paragraph of Paragraph 4 but before the amount of the relevant adjustment to the Conversion Price (if any) shall have been calculated, Paragraph 3.4 above shall:

(i) initially have effect in connection with that conversion as if the expression "relevant Ordinary Shares" referred to the Ordinary Shares which the Company would be obliged to issue if the Conversion Price was not to be adjusted in respect of the relevant event; and

(ii) apply again in connection with that conversion following the calculation of the amount of that adjustment as if the expression "relevant Ordinary Shares" referred to the additional Ordinary Shares (if any) which the Company is obliged to issue in consequence of that adjustment.

3.6 The Company shall, on the Conversion Date of a Preferred Share:

(i) enter the name of the relevant Preferred Shareholder as the holder of the relevant number of Ordinary Shares resulting from the conversion of the Preferred Shares in, and make any other necessary and consequential changes to, the Register of Members; and

(ii) deliver, as soon as practicable but in any event within 10 Business Days of entry in the Register of Members, to the holder or as it directs, free of charge, such number of share certificate(s) in respect of the relevant Ordinary Shares as may have been notified by such holder prior to the Conversion Date (or if no such notification has been made, one share certificate in respect of such holder's entire holding of Ordinary Shares as at the Conversion Date).

3.7 Except where the Company has allotted or sold the relevant Ordinary Shares pursuant to the proviso to Paragraph 3.4 in relation to conversion by redemption, the Company shall, as soon as reasonably practicable, account to the converting Preferred Shareholder for all distributions paid or made on the relevant Ordinary Shares as referred to in Paragraph 3.9.

3.8 If, so long as the Conversion Right in respect of any of the Preferred Shares remains exercisable, a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved (otherwise than for the purposes of a reconstruction, merger or consolidation the terms whereof have previously been approved by the Preferred Shareholder as a class in the manner provided in Paragraph 10), notice thereof shall forthwith be given by the Company to the relevant Preferred Shareholders and each Preferred Shareholder shall (whether or not the Conversion Right(s) attaching to his Preferred Share(s)) are then otherwise exercisable) be entitled, at any time after the passing of such resolution or (as the case may be) the making of such order, until the expiration of 6 weeks after the date of such notice (but not thereafter),

to elect (by giving a Conversion Notice duly completed and executed together with the certificates, statements and other items listed in Paragraphs 3.3(ii) to (v) so far as applicable and otherwise complying with Paragraph 3.3) to be treated as if all or any of his Preferred Share(s) had been converted immediately prior to the passing of such resolution or, as the case may be, the making of such order.

In that event, such Preferred Shareholder shall be entitled to be paid as per Paragraph 6 below.

On the expiry of the said period of 6 weeks, any outstanding Preferred Shares shall cease to be capable of conversion. Subject as provided in this Paragraph 3.8, the Conversion Right shall lapse in the event of a resolution being passed or an order of a court of competent jurisdiction being made that the Company be wound up or dissolved (otherwise than as aforesaid).

3.9 The Ordinary Shares resulting from the conversion of the relevant Preferred Shares shall carry the right to receive all dividends and other distributions declared, made or paid upon the ordinary share capital of the Company by reference to any Record Date on or after the Conversion Date and shall rank *pari passu* in all other respects and form one class with the Ordinary Shares then in issue and fully paid.

3.10 Until such time as the Preferred Shares have been converted into Ordinary Shares, the Company shall:

(i) at all times keep available for issue and free of all liens, charges, options, mortgages, pledges, claims, equities, encumbrances and other third-party rights of any nature, and not subject to any pre-emptive rights out of its authorised but unissued share capital, such number of authorised but unissued Ordinary Shares as would enable all Preferred Shares to be converted into Ordinary Shares and any other rights of conversion into, subscription for or exchange into Ordinary Shares to be satisfied in full; and

(ii) not make any issue, grant or distribution or take any other action if the effect would be that on the conversion of the Preferred Shares to Ordinary Shares it would be required to issue Ordinary Shares at a price lower than the par value thereof.

4. Adjustments of Conversion Rights and/or Conversion Price

4.1 Subject as herein provided, the Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions (but shall however not be adjusted below the nominal value of the Ordinary Shares) and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of the Paragraphs 4.1(i) to (vii) inclusive below, it shall fall within the first of the applicable sub-paragraphs of this Paragraph 4.1 to the exclusion of the remaining sub-paragraphs:

(i) if and whenever an Ordinary Share by reason of any consolidation or sub-division becomes of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective;

(ii) if and whenever the Company shall issue and/or allot (other than in lieu of a cash dividend) any Ordinary Shares credited as fully paid by way of capitalisation of profits or Reserves as defined in Paragraph 4.2, (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue and/or allotment shall be adjusted by multiplying it by the nominal amount of the issued and paid up Ordinary Capital immediately before such issue and/or allotment and dividing the result by the aggregate of such nominal amount and the nominal amount of the Ordinary Capital issued in such capitalisation. Each such adjustment shall be effective (if appropriate, retrospectively) from the commencement of the day next following the Record Date for such issue and/or allotment;

(iii) if and whenever the Company makes any Capital Distribution (as defined in Paragraph 4.2) to holders (in their capacity as such) of Ordinary Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its Subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying the following fraction:

$$\frac{A - B}{A}$$

Where:

A = the Market Price last preceding the date of the Capital Distribution/the Announcement or, as the case may be, of the grant; and

B = the fair market value on the day of such Announcement or, as the case maybe, of the grant, as determined in good faith by an Approved Investment Bank, of the portion of the Capital Distribution or of such rights which is/are attributable to one Ordinary Share,

Provided that:

(a) if in the opinion of the relevant Approved Investment Bank, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant the amount of the closing price which should properly be attributed to the value of the Capital Distribution or Rights); and

(b) the provisions of this Paragraph 4.1(iii) shall not apply in relation to the issue and/or allotment of Ordinary Shares paid up out of profits or Reserves and issued and/or allotted in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate, retrospectively) from the commencement of the day next following the Record Date for the Capital Distribution or grant.

(iv) if and whenever the Company offers to holders of Ordinary Shares any Ordinary Shares (other than the Preferred Shares) for subscription by way of Rights, or shall grant to holders of Ordinary Shares any options or warrants to subscribe for Ordinary Shares, at a price which is less than the Market Price at the date of the Announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the Announcement of such offer or grant by a fraction of which the numerator is the number of Ordinary Shares in issue immediately before the date of such Announcement plus the number of Ordinary Shares which the aggregate of the amount (if any) payable for the Rights, options or warrants and of the amount payable for the total number of Ordinary Shares comprised therein would purchase at such Market Price and the denominator is the number of Ordinary Shares in issue on such date of the Announcement plus the aggregate number of Ordinary Shares offered for subscription or comprised in the options or warrants (such adjustment to become effective (if appropriate, retrospectively) from the commencement of the day next following the Record Date for the offer or grant) provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the Preferred Shareholder (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange) as if he had exercised the Conversion Rights pursuant to his Preferred Shares in full on the day immediately preceding the Record Date for such offer or grant;

(v) (a) if and whenever the Company or any other member of the Group shall issue and/or allot wholly for cash any securities (other than the Preferred Shares and the Warrants) which by their terms are convertible into or exchangeable for or carry rights of subscription for Ordinary Shares, and the Total Effective Consideration per Ordinary Share initially receivable for such securities is less than the Market Price at the date of the Announcement of the terms of issue and/or allotment of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue and/or allotment by a fraction of which the numerator is the number of Ordinary Shares in issue immediately before the date of the issue and/or allotment plus the number of Ordinary Shares which the Total Effective Consideration receivable for the securities issued would purchase at such Market Price and the denominator is the number of Ordinary Shares in issue immediately before such date of the issue and/or allotment plus the number of Ordinary Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price. Such adjustment shall become effective (if appropriate, retrospectively) from the close of business in Hong Kong on the Business Day immediately preceding whichever is the earlier of the date on which the issue and/or allotment is announced and the date on which the issuer determines the conversion or exchange rate or subscription price; and

(b) if and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in Paragraph 4.1(v)(a) are modified so that the Total Effective Consideration per Ordinary Share initially receivable for such securities shall be less than the Market Price at the date of the Announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Ordinary Shares in issue immediately before the date of such modification plus the number of Ordinary Shares which the Total Effective Consideration receivable for the securities issued at the modified conversion or exchange rate or subscription price would purchase at the Market Price at the date of the Announcement of such proposals and of which the denominator is the number of Ordinary Shares in issue immediately before such date of modification plus the number of Ordinary Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by, such securities at the modified conversion or exchange rate or subscription price. Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange or subscription terms.

For the purposes of this Paragraph 4.1(v), the "Total Effective Consideration" receivable for the securities issue shall be deemed to be the aggregate consideration receivable by the issuer for any such securities plus the additional minimum consideration (if any) to be received by the issuer and/or the Company (if not the issuer) upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the Total Effective Consideration per Ordinary Share initially receivable for such securities shall be such aggregate consideration divided by the number of Ordinary Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue and/or allotment.

(vi) If and whenever the Company shall issue and/or allot wholly for cash any Ordinary Shares (other than Ordinary Shares issued to Directors or employees of the Company or any of its Subsidiaries or their personal representatives pursuant to any Share Option Scheme or Share Incentive Scheme or on conversion of the Preferred Shares or the exercise of the subscription rights under the Warrants) or at a price per Ordinary Share which is less than the Market Price current at the date of the Announcement of the terms of such issue and/or allotment, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such Announcement by a fraction of which the numerator is the number of Ordinary Shares in issue immediately before the date of such Announcement plus the number of Ordinary Shares which the aggregate amount payable for the issue and/or allotment would purchase at such Market Price and the denominator is the number of the Ordinary Shares in issue immediately before such date of the Announcement plus the number of Ordinary Shares so issued. Such adjustment shall become effective on the date of the issue and/or allotment; and

(vii) if and whenever the Company shall purchase any Ordinary Shares or securities convertible into shares or any rights to acquire Ordinary Shares (excluding any such purchases made on the Stock Exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong (or equivalent authority) and the Directors consider that it may be appropriate to make an adjustment to the Conversion Price, the Directors shall appoint an Approved Investment Bank to consider whether, for any reason whatsoever as a result of such purchases, an adjustment should be made to the Conversion Price fairly and appropriately to reflect the relative interests of the persons affected by such purchases by the Company and, if such Approved Investment Bank shall consider in its opinion that it is appropriate to make an adjustment to the Conversion Price, an adjustment to the Conversion Price shall be made in such manner as such Approved Investment Bank shall certify to be, in its opinion, appropriate. Such adjustment shall become effective (if appropriate retrospectively) from the close of business in Hong Kong on the Business Day immediately preceding the date on which such purchases by the Company are made.

4.2 For the purposes of Paragraph 4.1:

"Announcement" includes the release of an announcement to the press or the delivery or transmission by telephone, telex or otherwise of an announcement to the Stock Exchange and "date of announcement" means the date on which the announcement is first so released, delivered or transmitted;

"Capital Distribution" (without prejudice to the generality of that phrase) includes distributions in cash or in specie. Any dividends charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a Capital Distribution provided that any such dividend shall not automatically be so deemed if:

(i) it is paid out of the aggregate of the net profits (less losses) attributable to the holders of Ordinary Shares for all periods after that ended 31 December 2006 as shown in the audited consolidated financial statements of the Company and its Subsidiaries for each such period; or

(ii) to the extent that (i) above does not apply the rate of the dividend, together with all other dividends on the class of capital in question charged or provided for in the accounts for the financial period in question, does not exceed the aggregate rate of dividend on such class of capital charged or provided for in the financial statements for the last preceding financial period. In computing such rates, such adjustments may be made as are in the opinion of the Auditors appropriate to the circumstances and shall be made in the event that the lengths of such periods differ materially; or

(iii) it is a Preferred Dividend;

"Market Price" means the 95% of the average of the closing prices of one Ordinary Share on the Stock Exchange for the twenty consecutive dealing days ending on the last dealing day preceding the day on or as of which the market price is to be ascertained;

"Ordinary Shares" means ordinary shares of par value HK$0.01 each of the Company or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Company, and includes, for the purposes of any issue, distribution or grant pursuant to sub-paragraphs 4.1(iii), (iv), (v), (vi) or (vii), any such ordinary shares of the Company as, when fully paid, shall be ordinary shares of the Company;

"Reserves" includes unappropriated profits; and

"Rights" includes rights in whatsoever form issued.

4.3 The provisions of Paragraphs 4.1 shall not apply to:

(i) an issue of fully-paid Ordinary Shares upon the exercise of any conversion rights attached to securities convertible into Ordinary Shares or upon exercise of any rights (including the Conversion Rights and the Ordinary Shares which falls to be issued upon the exercise of the subscription rights to the Warrants) to acquire Ordinary Shares;

(ii) an issue of Ordinary Shares or other securities of the Company or any Subsidiary wholly or partly convertible into, or carrying rights to acquire, Ordinary Shares to the Directors or employees of the Company or any of its Subsidiaries pursuant to a Share Option Scheme or Share Incentive Scheme or to such other persons who are eligible under such schemes;

(iii) an issue by the Company of Ordinary Shares or an issue by the Company or any Subsidiary of securities wholly or partly convertible into or carrying rights to acquire Ordinary Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;

(iv) an issue of fully-paid Ordinary Shares by way of capitalisation of all or part of any subscription rights reserve, or any similar reserve which has been or may be establish pursuant to the terms of any securities wholly of partly convertible into, or rights to acquire, Ordinary Shares;

(v) an issue of Ordinary Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Ordinary Shares so issued is capitalized and the Market Value of such Ordinary Shares is not more than 105 per cent of the amount of dividend which holders of the Ordinary Shares could elect to or would otherwise receive in cash; and

(vi) an issue, offer or grant of Ordinary Shares or other securities (including rights or options) (i) pursuant to the Restructuring and the transactions contemplated under the resumption proposal and (ii) pursuant to the exercise of any Warrants as issued under the Restructuring.

~~(vi) any issue of Ordinary Shares pursuant to or in connection with the Shipyard Transaction.~~

4.4 Any adjustment to the Conversion Price shall be made to the nearest cent so that any amount under half a cent shall be rounded down and any amount of half a cent or more shall be rounded up and in no event shall any adjustment (otherwise than upon the consolidation of Ordinary Shares into Ordinary Shares of a larger nominal amount or upon a repurchase of Ordinary Shares) involve an increase in the Conversion Price. In addition to any determination which may be made by the Directors, every adjustment to the Conversion Price shall be certified to be fair and appropriate either (at the option of the Company) by the Auditors or by an Approved Investment Bank. In giving any certificate or making any adjustment hereunder, the Auditors or the Approved Investment Bank shall be deemed to be acting as experts and not as arbitrators and, in the absence of manifest error, their decision shall be conclusive and binding on the Company and the Preferred Shareholder and all persons claiming through or under them respectively.

4.5 Notwithstanding anything contained in these Bye-laws, no adjustment shall be made to the Conversion Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of this clause would be less than one cent and any adjustment that would otherwise be required then to be made shall not be carried forward.

4.6 If the Company or any Subsidiary shall in any way modify the rights attached to any share or loan capital so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire Ordinary Shares, the Company shall appoint an Approved Investment Bank to consider whether any adjustment to the Conversion Price is appropriate and if such Approved Investment Bank certifies that any such adjustment is appropriate, the Conversion Price shall be adjusted accordingly and the provisions of Paragraphs 4.4 and 4.5 shall apply.

4.7 Notwithstanding the provisions of Paragraphs 4.1, in any circumstances where the Directors shall consider that an adjustment to the Conversion Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment shall take effect on a different date or at a different time from that provided for under the said provisions, the Company may appoint an Approved Investment Bank to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would not or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such Approved Investment Bank shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by such Approved Investment Bank to be, in its opinion, appropriate (including, retrospectively).

4.8 Whenever the Conversion Price is adjusted as herein provided, the Company shall give notice to the Preferred Shareholders that the Conversion Price has been adjusted (setting forth the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof) and shall at all times thereafter so long as any of the Conversion Rights remains exercisable, make available for inspection by the Preferred Shareholders at its principal office in Hong Kong a signed copy of the said certificate of the Auditors or (as the case may be) of the relevant Approved Investment Bank and a certificate signed by a director of the Company setting forth brief particulars of the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price on the effective date thereof and shall, on request, send a copy thereof to the Preferred Shareholder.

4.9 Fractions of Ordinary Shares will not be issued on conversion of the Preferred Shares and accordingly, for the purpose of determining the number of Ordinary Shares to be issued on Conversion (i) all Preferred Shares which in respect of each exercise of Conversion Right a holder hereof shall be aggregated and (ii) the number of Ordinary Shares to be issued upon conversion of the Preferred Shares shall be rounded down if otherwise fractions of Ordinary Shares would be issued pursuant to any conversion of Preferred Shares under the preceding provisions of Paragraphs 3 and 4.

5. Redemption

5.1 At any time on or after the 3rd anniversary of the actual date when the Restructuring becoming Effective and the Settlement Date having occurred~~the 5th anniversary of the date of issue of the Preferred Shares~~:

(i) a Preferred Shareholder may deliver a notice in writing at least 30 Business Days before the Redemption Date to the Company at its Specified Office together with certificate(s) for the Preferred Shares to be redeemed requiring the Company to redeem all but not part only of the outstanding Preferred Shares then registered in its name at the redemption amount per Preferred Share equal to the Notional Value; or

(ii) the Company may deliver a notice in writing at least 30 Business Days before the Redemption Date to the Preferred Shareholder at its last known address on the Register of Members notifying that all but not part only per Preferred Share equal to the Notional Value of the outstanding Preferred Shares then registered in its name shall be redeemed at the redemption price of per Preferred Share equal to 175% of the Notional Value,

whereupon subject to the requirements of the Companies Act, the Company shall pay to the Preferred Shareholder within 30 Business Days from receipt of such notice or the earliest date permitted under the Bermuda Companies Act whichever is later, the aforesaid redemption amount together with any Preferred Dividend on the Preferred Shares so to be redeemed that have accumulated (but have remained unpaid) from day to day thereon up to the date immediately prior to the Redemption Date.

5.2 Subject to paragraph 5.3 and the requirements of the Companies Act, a Preferred Shareholder may within any period of 90 Business Days (unless otherwise agreed in writing between the Company and the relevant Preferred Shareholder and as may be extended pursuant to Paragraph 5.4) from the date on which it becomes aware of any Redemption Event having occurred (whichever is the earlier) by notice in writing to the Company delivered to the Company at its Specified Office together with certificate(s) for the Preferred Shares to be redeemed require the Company to redeem all of its then outstanding Preferred Shares, whereupon subject to the requirements of any applicable laws, the Company shall pay to the relevant Preferred Shareholder within 10 Business Days from receipt of such notice or the earliest date permitted any applicable laws whichever is later, a redemption amount per Preferred Share equal to the greater of:

(i) 175% of the Notional Value; and

(ii) the Market Price of the number of Ordinary Shares which would be issued to the relevant Preferred Shareholder if one Preferred Share was converted into Ordinary Shares upon the date of notice of redemption,

in either case, together with any Preferred Dividend on the Preferred Shares so to be redeemed that have accrued (but have remained unpaid) from day to day thereon up to the date immediately prior to the Redemption Date.

~~5.3 The right of a Preference Shareholder to require redemption pursuant paragraph 5.2 shall not be capable of exercise if and for as long as any of the Notes remain outstanding except, in the case of a Change of Control Redemption Event, a Change of Control Triggering Event (as defined in the Indenture) has occurred and the Company has completed the repurchase of such Notes as are required to be repurchased following a Change of Control (as defined in the Indenture) pursuant to section 4.13 of the Indenture.~~

~~5.4 If a Redemption Event has occurred and, pursuant to Paragraph 5.3, a Preference Shareholder may not require redemption, the period of 90 Business Days referred to in Paragraph 5.2 shall be deemed to be extended until either no Notes remain outstanding, or in the case of a Change of Control Redemption Event, a change of Control Triggering Event (as defined in the Indenture) has occurred and the Company has completed the repurchase of such Notes as are required to be repurchased following a Change of Control (as defined in the Indenture) pursuant to section 4.13 of the Indenture.~~

~~5.5~~5.3 The Company shall notify each Preferred Shareholder as soon as it becomes aware of any Redemption Event having occurred.

6. As regards liquidation preference

On a distribution of assets of the Company among its members on a return of capital on liquidation or otherwise, each Preferred Shareholder shall be entitled, in proportion to the numbers of Preference Shares held by that Preferred Shareholder and in priority to any holder of any other class of shares in the capital of the Company, to receive an amount equal to the greater of:

(i) the sum of the amount equal to the issue price of the Preferred Shares held by that Preferred Shareholder; or

(ii) the aggregate Market Price of the number of Ordinary Shares which would be issued to that Preferred Shareholder if the number of Preferred Shares outstanding and held by it were converted into Ordinary Shares upon the date of the distribution of assets of the Company, in either case, together with any Preferred Dividend that have accumulated (but has remained unpaid) from day to day thereon up to the date immediately prior to the Redemption Date.

in either case, together with the portion of the Preferred Dividend on the Preferred Shares so to be redeemed that has accumulated (but has remained unpaid) from the last payment date therefor from day to day thereon up to the date immediately prior to the Redemption Date.

7. As regards Voting Rights

The Preferred Shares shall not carry any voting rights.

8. As regards Transfers

The Preferred Shares shall not be capable of transfer save for a transfer to Guangdong Zhenrong Energy Co., Ltd. or its Affiliates.

9. Payments

9.1 Payment of all amounts in respect of the Preferred Shares under the terms and conditions thereof shall be made on the due dates into such bank account as the holder of the relevant Preferred Shares may notify the Company by at least 5 Business Days' prior notice in writing delivered to the Company at the Specified Office from time to time. All payments made by the Company in respect of the Preferred Shares pursuant to the terms and conditions of this Bye-law shall be made in Hong Kong dollars in immediately available funds.

9.2 If the due date for payment of any amount in respect of the Preferred Shares is not a Business Day, the Preferred Shareholder will be entitled to payment on the next following Business Day in the same manner but without any compensation or adjustment for late payment.

9.3 Any Preferred Shareholder who has failed to claim distributions or other property or rights within 6 years of their having been made available to him will not thereafter be able to claim such distributions or other property or rights which shall be forfeited and reverted to the Company. The Company shall retain such distributions or other property or rights but shall not at any time be a trustee in respect of any such distributions or other property or rights nor be accountable for any income or other benefits derived therefrom.

10. Restrictive Covenants

10.1 For so long as any of the Preferred Shares are in issue ~~and subject to Paragraph 10.2 below~~, the Company shall not without first obtaining the approval of the Preferred Shareholders in accordance with Paragraph 11:

(a) authorize, create, allot, issue or permit to exist any class of share capital that is senior to, or in parity with or has preference in any respect over the Preferred Shares as to distribution, liquidation or return of capital (which for the avoidance of doubt excludes any issue of Ordinary Shares);

(b) reclassify, re-designate, or convert any equity or equity linked securities into, securities of the Company which rank senior to, or in parity with or have preference in any respect over the Preferred Shares as to distribution, liquidation or return of capital (which for the avoidance of doubt excludes issue of Ordinary Shares);

(c) amend, alter or repeal any provision of the Bye-laws of the Company which abrogates or adversely affect any rights of the holders of the Preferred Shares; or

~~(d) borrow, lease, issue any guarantee, issuing any trust receipts, undertake any trade or project financing or incur any other form of financial obligation which would either result in:~~

~~(i) the aggregate Financial Debt of the Group (excluding the ProjectCo Group) increasing by more than US$20 million in any one Financial Year (including any extension of the term of any Short Term Working Capital Debt to a term greater than three months); or~~

~~(ii) the aggregate amount of the Working Capital Debt of the Group (excluding the ProjectCo Group) increasing above US$350 million; or~~

(de) amend, alter or repeal this Paragraph 10.1.

~~10.2 The restrictions under Paragraph 10.1 (other than Paragraph 10.1(c)) shall terminate immediately upon the earlier of:~~

~~(a) the termination of the Investor Rights Agreement;~~

~~(b) WP holding less than 7.5% of the Fully Diluted Share Capital of the Company;~~

~~(c) Warburg Pincus (Bermuda) Private Equity IX, L.P holding less than 20% of the ProjectCo Fully Diluted Share Capital.~~

11. Approval

Where any consent or approval of Preferred Shareholders generally is required (including any consent or approval of any waiver of rights), that consent or approval may be given by resolution passed at a duly convened meeting of Preferred Shareholders or in writing signed by the holders of more than 50% in nominal value of the then outstanding Preferred Shares, and for this purpose any such consent or approval may be in the form of one or more instruments each signed by one or more Preferred Shareholders. Any consent or approval so obtained shall be binding on all Preferred Shareholders whether or not they are in favour.

The Warrants will be issued under the Open Offer subject to and with benefit of an instrument by way of deed poll ("**Instrument**") and they will be issued in registered form and will be issued to each holder of the Warrant ("**Warrantholder**") in definitive form (the "**Definitive Warrants**"), and rank *pari passu* in all respects with each other.

The principal terms and conditions of the Warrants ("**Conditions**") will be set out in the certificate(s) for the Warrant ("**Certificate(s)**") and will include provisions to the effect set out below. The Warrantholders will be entitled to the benefit of, be bound by, and be deemed to have notice of the Conditions, copies of which will be available at the principal place of business for the time being of the Company in Hong Kong.

1. DEFINITIONS

In this Appendix, unless otherwise stipulated, the following terms shall have the following meanings:

"**Alternative Stock Exchange**" means at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in.

"**business day**" means a day (other than Saturday) on which banks in Hong Kong are generally open for business.

"**Capital Distribution**" means any dividend or distribution (whether of cash or of assets in specie) by the Company for any financial period (whenever paid or made and however described) declared after the Issue Date (and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid (other than Shares credited as fully paid to the extent an adjustment to the Exercise Price is made) by way of capitalisation of reserves and including any Scrip Dividend to the extent of the Relevant Cash Dividend).

"**Closing Price**" for the Shares for any Trading Day shall be the price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day.

"**Conditions**" means the terms and conditions set out in this Appendix and any reference to a particularly numbered Condition shall be construed accordingly.

"**Current Market Price**" means, in respect of a Share at a particular date, the arithmetic average of the Closing Prices for one Share (being a Share carrying full entitlement to dividend) for the five consecutive Trading Days ending on the Trading Day immediately preceding such date; *provided* that if at any time during the said five Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

(i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount reduced by an amount equal to the Fair Market Value of the amount of that dividend per Share; or

(ii) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount increased by the Fair Market Value of the amount of that dividend per Share;

and provided further that if the Shares on each of the said five Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount reduced by an amount equal to the Fair Market Value of that dividend per Share.

"**Definitive Warrants**" means the definitive Warrants in the form set out in the Instrument.

"**Employee Share Scheme**" means a scheme, the terms of which are in compliance with the Listing Rules (or if applicable, the rules of an Alternative Stock Exchange), approved by the Company at a general meeting (whether before or after the date) pursuant to which Shares or other securities (including rights, warrants or options) are or will be issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of eligible participants such as directors (including executive and non-executive directors), employees or former employees and consultants of the Company or any of its subsidiaries or any associated company of the Company pursuant to any share option scheme or plan (including a dividend reinvestment plan).

"**Exercise Date**" means (i) the Stock Exchange Business Day (being a day falling within the Exercise Period) immediately following the Deposit Date, if payment of the relevant Exercise Money (either accompanied by a payment advice as defined in the Instrument or recognised by the Company as relating to the exercise of the relevant Warrants) is made on or before the close of such Stock Exchange Business Day or (ii) if no such payment has been made as aforesaid, the Stock Exchange Business Day (being a day falling after the Deposit Date but within the Exercise Period) on which such payment is so made.

"**Exercise Notice**" means the written notice required for the purpose of exercise of the Warrants, the initial form of which is set out in the Instrument.

"**Fair Market Value**" means, with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as may be agreed between the Company and the holders and, failing which as determined by an Independent Investment Bank provided that (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as may be agreed between the Company and the holders and, failing which as determined by such Independent Investment Bank) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights are publicly traded.

"**Fiscal Period**" means, as the context may require, a period (i) commencing on 1 January and ending on the succeeding 31 December, or (ii) commencing on 1 January and ending on the succeeding 30 June, provided that if the Company shall change its financial year so as to end on a date other than 31 December, the foregoing shall be amended as necessary.

"**Hong Kong Stock Exchange**" means The Stock Exchange of Hong Kong Limited.

"**Independent Investment Bank**" means an independent investment bank of international repute (acting as expert) selected by the Company and notified to the Warrantholders.

"**Instrument**" means this Instrument (as from time to time altered in accordance with this Instrument) and any other document executed in accordance with this Instrument (as from time to time so altered) and expressed to be supplemental to this Instrument.

"**Issue Date**" means the issue date of the Warrants as set out and defined in the Conditions.

"**Listco Preferred Shares**" means the 555,000,000 convertible redeemable preferred shares of HK$0.01 each issued by the Company.

"**Listing Rules**" means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

"**Record Date**" means a date fixed in accordance with the bye-laws of the Company or otherwise specified or determined by the Company for the purpose of determining entitlements to dividends or other distributions to, or rights of, holders of Shares.

"**Registrar**" means the Company's Hong Kong branch registrars, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, or such other person, firm or company (approved by the Board of Directors and notified to the Warrantholders) for the time being maintaining the register of Warrantholders at its specified office.

"**Relevant Cash Dividend**" means any cash dividend specifically declared by the Company.

"**Restructuring**" means the restructuring of the Company involving one or more schemes of arrangement with the Company's creditors, an open offer of new Shares and warrants to be made by the Company to its shareholders, the subscription by certain investors of new Shares and warrants issued by the Company, the issue of new Shares to the Company's controlling shareholder to settle and/or assume certain debts and any other transactions and/or arrangements contemplated under the Resumption Proposal made by the Company in writing to the Hong Kong Stock Exchange dated 5 May 2014 (as amended in line with the responses submitted by the Company to the requisitions of the Hong Kong Stock Exchange).

"**Scrip Dividend**" means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Capital Distribution.

"**Shares**" means ordinary shares of par value HK$0.01 each of the Company and listed on the Hong Kong Stock Exchange or shares of any class or classes resulting from any subdivision, consolidation or re classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Company.

"**Shareholder**" means a person in whose name a Share is registered.

"**Stock Exchange Business Day**" means any day (other than a Saturday or Sunday) on which the Hong Kong Stock Exchange or the Alternative Stock Exchange, as the case may be, is open for the business of dealing in securities.

"**Subscription Period**" means the period not earlier than the commencement of the third year but not later than the end of the third year after the issue of the Warrants.

"**Trading Day**" means a day when the Hong Kong Stock Exchange or, as the case may be an Alternative Stock Exchange is open for trading business, provided that if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of trading days.

"**unexercised**" means, in relation to the Warrants, all the Warrants issued except (a) those which have been exercised in accordance with the Conditions, (b) those which have been purchased and cancelled as provided in the Conditions, (c) those which have been

purchased by the Company or any of the subsidiaries and not cancelled, and (d) those mutilated or defaced Warrants which have been surrendered and cancelled and in respect of which replacement Warrants have been issued; provided that for the purposes of determining how many Warrants are unexercised for the purposes of the Conditions, those Warrants which are beneficially held by or on behalf of the Company or any of its subsidiaries and not yet cancelled shall be deemed not to remain unexercised.

"**Warrantholder**" or, in respect of a Warrant, "**holder**" means a person or persons who is or are for the time being registered as the holder or joint holders of a Warrant.

"**Warrants**" comprises of not less than 3,910,277,341 and not more than 3,920,597,341 warrants exercisable, on the terms and subject to the Conditions, for subscription of Shares.

2. EXERCISE OF SUBSCRIPTION RIGHTS

a) Subject to the provisions and to compliance with all fiscal and other laws and regulations applicable thereto the registered holder of the Warrants will have the right, which may be exercised in whole or in part at any time during the Subscription Period, to subscribe for fully paid Shares at a price per Share (the "**Exercise Price**") equal to HK$0.12 or such adjusted Hong Kong dollar amount as is applicable on Exercise Date provided always that if the Company considers that it would no longer satisfy the minimum public shareholding (i.e. 25% public float) requirement under Rule 8.08 of the Listing Rules immediately following an exercise of the subscription right under any Warrants, such exercise shall be postponed until such time as the Company is satisfied that such exercise will not result in any non-compliance of Rule 8.08 of the Listing Rules. After 4:00 p.m. on the last day of the Subscription Period, any Warrants which have not been exercised will lapse and the Warrants will cease to be valid for any purpose.

b) In order to exercise in whole or in part the subscription rights, the Warrantholder must i) deposit the certificate of the relevant Warrants at the principal place of business in Hong Kong of the Company, together with a notice of exercise (an **"Exercise Notice"**) in the form obtainable from the Company duly completed and signed by the Warrantholder, ii) pay, or provide for the payment of, all (if any) such stamp, issue, registration or other similar taxes or duties arising on exercise of the relevant Warrants, (i) and ii) above are referred as the **"Deposit Conditions"**) and iii) pay the Exercise Price multiplied by the number of such Warrants exercised and, if necessary, by the number of Shares deliverable on exercise of one Warrant (the **"Exercise Money"**). In each case compliance must also be made with any exchange control, fiscal or other laws or regulations for the time being applicable.

c) Once the Deposit Conditions have been fulfilled, neither the relevant Warrants nor the relevant Exercise Notice may be withdrawn from deposit without the consent in writing of the Company, but the relevant Warrants shall only be cancelled after the Exercise Date. The day (in the country in which the Certificates in respect of the relevant Warrants are deposited for exercise) on which the Deposit Conditions are

fulfilled, or (if fulfilled on different days) on which the last of the Deposit Conditions is fulfilled, is referred to herein as the "**Deposit Date**" applicable to such Warrants.

d) If the Exercise Right in respect of more than one Warrant is exercised at any one time such that Shares to be issued on exercise are to be registered in the same name, the number of such Shares to be issued shall be calculated on the basis of the aggregate number of such Warrants being so exercised and rounded down to the nearest whole number of Shares. Fractions of Shares will not be issued on exercise but the Company will upon exercise of the Warrants pay in cash (in Hong Kong dollars by means of a Hong Kong dollar cheque drawn on a bank in Hong Kong) the sum equal to such portion of the Exercise Money of the Warrant or Warrants evidenced by the Certificate deposited in connection with the exercise of Exercise Rights. Any such sum shall be paid not later than five Stock Exchange Business Days after the relevant Exercise Date and shall be mailed to the registered address of the Warrantholder.

e) The Company shall, as soon as practicable, and in any event not later than five Stock Exchange Business Days after the Exercise Date, in the case of Warrants exercised on exercise of the Excise Right register the person or persons designated for the purpose in the Exercise Notice as holder(s) of the relevant number of Shares in the Company's share register, or will make such certificate or certificates available for collection at the office of the Company's share registrar in Hong Kong, or, if so requested in the relevant Exercise Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Exercise Notice, together (in either case) with any other securities, property or cash required to be delivered upon exercise and such assignments and other documents (if any) as may be required by law to effect the transfer, in which case a single share certificate will be issued in respect of all Shares issued on exercise of Warrants subject to the same Exercise Notice and which are to be registered in the same name.

f) The person or persons specified for that purpose in the Exercise Notice will become the holder of record of the number of Shares issuable upon exercise with effect from the date he is or they are registered as such in the Company's register of members (the "**Registration Date**"). The Shares issued upon exercise of the Warrants will be fully-paid and in all respects rank *pari passu* with the Shares in issue on the relevant Registration Date. Save as set out in these Conditions, a holder of Shares issued on exercise of the Warrants shall not be entitled to any rights the record date for which precedes the relevant Registration Date.

g) If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Exercise Date in respect of any Warrant, but before the Registration Date, the Company will calculate and pay to the exercising Warrantholder or his designee the amount in Hong Kong dollars (the "**Equivalent**

Amount") equal to the Fair Market Value of such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by means of a Hong Kong dollar cheque drawn on a bank in Hong Kong and sent to the address specified in the relevant Exercise Notice.

3. ADJUSTMENT TO EXERCISE PRICE

The Instrument contains detailed provisions relating to the adjustment of the Exercise Price. The following is a summary of, and is subject to, the adjustment provisions of the Instrument:

a) The Exercise Price shall (except as mentioned in paragraph (b) below) be adjusted as provided in the Instrument in each of the following cases:

   i. an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification;

   ii. an issue (except any Scrip Dividend) by the Company of Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account);

   iii. a Capital Distribution being made by the Company to the Shareholders;

   iv. an issue of any securities (other than Shares or options, warrants or other rights to subscribe, purchase or otherwise acquire any Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe, purchase or otherwise acquire Shares); and

   v. a sale or distribution of any securities by the Company or any of its Subsidiaries or other entities in connection with which an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them.

b) In circumstances where the Company or any holder determines that an adjustment should be made to the Exercise Price as a result of one or more events or circumstances not referred to in the paragraph (a) above, the Company and the holders shall determine and, failing which an Independent Investment Bank shall be engaged to determine as soon as practicable what adjustment (if any) to the Exercise Price is fair and reasonable to take account, if the adjustment would result in a reduction in the Exercise Price and/or change in the number of Warrants or Shares deliverable pursuant to the Warrants, and the date on which such adjustment should

take effect and upon such determination the adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the events or circumstances giving rise to any adjustment pursuant to the Conditions have already resulted or will result in an adjustment or where the circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment, such modification (if any) shall be made to the operation of the provisions of the Conditions as may be agreed by the Company and the holders and, failing which as determined by the Independent Investment Bank to be in their opinion appropriate to give the intended result.

c) No such adjustment as referred to in paragraph (a) above shall be made in respect of:

i. an issue, offer, or grant of Shares or other securities (including rights or options) to employees (including directors) of the Company or any of its subsidiary pursuant to any Employee Share Scheme (and which Employee Share Scheme is in compliance with the listing rules of the Hong Kong Stock Exchange or, if applicable, those of an Alternative Stock Exchange);

ii. an issue, offer, or grant of Shares or other securities (including rights or options) pursuant to the Restructuring;

iii. an issue, offer, or grant of Shares or other securities (including rights or options) pursuant to the conversion of the Listco Preferred Shares;

iv. an increase in the Exercise Price except in the case of a consolidation of the Shares; or

v. an exercise of warrants as issued under the Restructuring.

d) Any adjustment to the Exercise Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong one cent. No adjustment shall be made to the Exercise Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Exercise Price then in effect. Any adjustment not required to be made, and any amount by which the Exercise Price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment.

e) Any Warrantholder may require a certificate to confirm any adjustment to be made to the Exercise Price or any calculation in connection with the Exercise Price. The Company shall at its expense, and as soon as practicable, provide the relevant Warrantholder with a certificate signed by two directors of the Company setting out the method by which the adjustment is calculated and a certificate of an Independent Investment Bank certifying the relevant adjustment and the calculation to the Exercise Price and such a certificate shall be conclusive and binding on all concerned.

f) The Company shall give notice to the Warrantholders of any change in the Exercise Price.

4. REGISTERED WARRANTS

The Warrants are issued in the registered form. A Warrantholder will (save as otherwise determined by a court of competent jurisdiction or required by law) be treated as the absolute owner of a Warrant registered in his name for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any equitable or other interest in it or any writing on or the theft or loss of the Certificate issued in respect of it) and no person (including the Company) will be liable for so treating the holder.

5. NO RIGHT AS SHAREHOLDERS

Nothing contained in the Instrument or these Conditions shall be construed as conferring upon the Warrantholders the right to vote or to receive dividends or to consent or to receive notice as Shareholders in respect of any meeting of Shareholders for the election of directors of the Company or any other matter, or any rights whatsoever as Shareholders of the Company.

6. TRANSFER, TRANSMISSION AND REGISTER

a) The Warrants are not transferable, except for the transfer or transmission in the circumstances set out below:

i. in cases where the Warrantholder acts as a nominee of its beneficial owner(s) in holding interest in the Warrants, the subscription rights shall be allowed for a one-off transfer from such nominee to its beneficial owner(s) by instrument of transfer (in any usual or common form or such other form as may be approved by the Directors) during the period from the date of issue to the end of the Exercise Period.

ii. if a Warrantholder dies, the survivor or survivors where the deceased was a joint holder, and his legal representatives where he was a sole or only surviving holder, will be the only person(s) recognised by the Company as having any title to interest of the Warrantholder in the Warrants. Subject to any applicable laws or regulations, any person becoming entitled to the Warrants in consequence of the death of a Warrantholder may, upon such evidence as to his title being produced as may be required by the Board, elect either to become the

Warrantholder or to nominate his nominee or the estate executor to be registered as the transferee. If he elects to become the holder he shall notify the Company in writing either at the principal place of business of the Company in Hong Kong to that effect. If he elects to have the relevant nominee registered he shall execute an instrument of transfer (in any usual or common form or such other form as may be approved by the Directors) of the Warrants in favour of that person during the period from the date of issue to the end of the Exercise Period.

b) The Company will cause the Register to be kept at the specified office of the Registrar (which shall at all times be outside Hong Kong) on which shall be entered the names and addresses of the Warrantholders and the particulars of the Warrants held by them.

c) Each Warrantholder shall be entitled to receive only one Certificate in respect of its entire holding of Warrants.

d) The joint holders of a Warrant shall be entitled to one Definitive Warrant only in respect of their joint holding which shall, except where they otherwise direct, be delivered to the joint holder whose name appears first in the Register in respect of the joint holding.

e) With the prior written approval of the Warrantholders and the Registrar, the Company may promulgate any other regulations that they may deem reasonably necessary for the registration of the Warrants.

7. CLOSURE OF REGISTER OF WARRANTHOLDERS

The Company shall, unless so required by any applicable law or regulation or the bye-laws of the Company or in order to establish a dividend or other right attaching to the Shares or entitlements of the Shareholders, not close its register of Shareholders or take any other action which prevents the transfer of its Shares generally and ensure that, the Warrants may be exercised legally and the Shares issued on exercise may (subject to any limitation imposed by law) be transferred (as between transferor and transferee although not as against the Company) at all times while the register is closed or such other action is effective, nor take any action which prevents the exercise of the Warrants or the issue of Shares in respect of them or the registration of Shares issued on exercise of Warrants otherwise than in accordance with the Conditions.

8. PURCHASE AND CANCELLATION

a) The Company or any subsidiary may at any time and from time to time purchase Warrants at any price in the open market or otherwise. Such Warrants may, at the option of the Company or the relevant subsidiary, be held, resold or surrendered to the Registrar for cancellation.

b) All Warrants which are exercised will forthwith be cancelled. Certificates in respect of all Warrants cancelled will be forwarded to or to the order of the Registrar and such Warrants may not be reissued or resold.

9. TAXATION

All payments by the Company in respect of the Warrants (if any) shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or charges of whatever nature imposed or levied.

10. REPLACEMENT OF WARRANTS CERTIFICATES

If the Certificate in respect of any Warrant is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Company may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

In the case of lost Warrant certificates, sections 162 to 169 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) shall apply as if "shares" referred to therein included the Warrants.

11. PROTECTION OF SUBSCRIPTION RIGHTS

The Instrument contains certain undertakings by and restrictions on the Company designed to protect the Subscription Rights.

12. CALL

On the expiry of the Exercise Period, any Warrants which have not been exercised will lapse and cease to be valid for any purpose.

13. UNDERTAKINGS BY THE COMPANY

a) In addition to the undertakings given by it in relation to the exercise of the Exercise Rights and the protection, the Company has also undertaken in the Instrument that:

   i. it will pay (if applicable) any stamp, issue, registration, documentary or other taxes and duties, including interest and penalties in Hong Kong and Bermuda payable in connection with the creation, issue and offering of the Warrants, the execution or delivery of the Instrument and the exercise of the Warrants and the issue and delivery of the Shares following such exercise; and

   ii. it will also indemnify the Warrantholders from and against all stamp, issue, registration, documentary or other taxes and duties paid by any of them in any jurisdiction in connection with any action taken by the Warrantholders to enforce the obligations of the Company under the Instrument or the Warrants.

14. NOTICES

a) The Instrument contains provisions relating to notices to be given to the Warrantholders.

b) All notices to Warrantholders shall be validly given if mailed to them at their respective addresses in the register of Warrantholders maintained by the Registrar or published in a leading newspaper having general circulation in Hong Kong or, if such publication is not practicable, in an English language newspaper, or published in an announcement. Any such notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed, as the case may be.

c) All notices with respect to Warrants standing in the names of joint holders shall be given to whichever of such persons is named first in the Register and notice so given shall be sufficient notice to all the holders of such Warrants.

15. OVERSEAS WARRANTHOLDERS

If a Warrantholder has a registered address in any territory (other than Hong Kong) where, in the opinion of the Directors, the allotment of Shares to such Warrantholder upon exercise of any subscription rights would or might, in the absence of compliance with registration or any other special formalities in such territory, be unlawful or impracticable under the laws of such territory, then the Company shall as soon as practicable after exercise by such Warrantholder of any subscription rights either:

(a) allot the Shares which would otherwise have been allotted to such Warrantholder to one or more third parties selected by the Company; or

(b) allot such Shares to such Warrantholder and then, on his behalf, sell them to one or more third parties selected by the Company, in each case for the best consideration then reasonably obtainable by the Company.

As soon as reasonably practicable following any such allotment or (as the case may be) allotment and sale, the Company shall pay to the relevant Warrantholder an amount equal to the consideration received by the Company therefor (but having deducted therefrom all transaction levies, brokerages, commissions, stamp duties, withholding tax and similar charges and taxes, payable in respect of such payment and, in the case of an allotment and sale as aforesaid, such sale) by posting the relevant remittance to him at his risk. The Company is deemed to be authorised to effect any of the aforesaid transactions and for this purpose the Company may appoint one or more persons to execute such transfers, renunciations or other documents on behalf of the relevant Warrantholders as may be required to be executed and generally may make all such arrangements as may appear to the Directors to be necessary or appropriate in connection therewith.

16. WINDING UP OF THE COMPANY

If an effective resolution is passed for the voluntary winding up of the Company and if such winding up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some person designated by them for such purpose by special resolution, will be a party or in conjunction with which a proposal is made to the Warrantholders and is approved by special resolution, the terms of such scheme of arrangement or (as the case may be) proposal will be binding on all the Warrantholders.

In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purpose of considering, and if thought fit, resolving to approve the voluntarily winding-up of the Company, the Company shall forthwith give notice thereof to each holder of the Warrants and thereupon, every Warrantholder (or, in the case of joint holders, the holder whose name stands first in the register in respect of the Warrant held by such holders) shall be entitled by irrevocable surrender of his Warrant certificate(s) to the registrar with the subscription form(s) duly completed, together with payment of the exercise moneys (or the relative portion thereto), to exercise the subscription rights represented by such Warrants whereupon the Company shall deliver the Shares to the Warrantholder no later than the day immediately prior to the date of the proposed shareholders' meeting and shall procure that the Warrantholder be registered as a member of the Company in time for it to be able to attend and vote at such shareholders' meeting.

Subject to the foregoing, if the Company is wound up, all subscription rights which have not been exercised at the date of the passing of such resolution shall lapse and Warrant certificates shall cease to be valid for any purpose.

17. GOVERNING LAW

The Instrument and the Warrants are governed by and will be construed in accordance with the laws of Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (save for the information relating to GZE) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in the circular misleading.

The directors of GZE, namely Xiong Shaohui, Luo Jie, Xia Yingyan, Li Tongnan and, Fan Qinghua, and the directors of Fame Dragon, namely Tang Chao Zhang, Lu Hai and Wei Qi, jointly and severally accept full responsibility for the accuracy of the information contained in this circular (save for the information relating to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in the circular misleading.

2. SHARE CAPITAL

The authorised share capital of the Company as at the Latest Practicable Date and following completion of the Authorised Share Capital Increase were and are expected to be as follows:

Authorised:		*HK$*
Existing		
14,445,000,000	Shares of HK$0.01 each	144,450,000
555,000,000	Listco Preferred Shares	5,550,000
15,000,000,000		150,000,000
65,555,000,000	new Shares upon completion of the Authorised Share Capital Increase	655,550,000
80,000,000,000	Total Shares of HK$0.01 each	800,000,000
555,000,000	Total convertible preferred shares	5,550,000
80,555,000,000		805,550,000

The issued share capital of the Company as at the Latest Practicable Date and following completion of the Restructuring, were and are expected to be as follows:

Issued and fully paid shares:		*HK$*
7,820,554,682	Shares in issue as at the Latest Practicable Date	78,205,546.82
20,640,000	New Shares to be issued upon exercise of the Share Options	206,400.00
555,000,000	New Shares to be issued upon conversion of the Listco Preferred Shares	5,550,000.00
3,920,597,341	New Shares to be issued under the Open Offer	39,205,973.41
3,920,597,341	New Shares to be issued upon exercise of the subscription rights of the Warrants under the Open Offer	39,205,973.41
3,100,000,000	New Shares to be issued under the Share Subscriptions	31,000,000.00
3,100,000,000	New Shares to be issued upon the exercise of the subscription rights of the Warrants under the Share Subscriptions	31,000,000.00
9,382,164,000	New Shares to be issued under the Shipyard Termination Agreement	93,821,640.00
3,595,420,415	New Shares to be Issued under the Assumption Agreement	35,954,204.15
1,926,810,834	New Shares to be issued under the Creditors' Scheme	19,268,108.34
3,122,931,542	New Shares to be issued upon the exercise of the Subscription rights of the FELS Warrants	31,229,315.42
40,464,716,155	Total Shares	404,647,161.55

All of the Shares, Offer Shares, Subscription Shares, Shipyard Termination Shares and Assumption Consideration Shares to be issued under (i) the Creditors' Scheme; (ii) Shipyard Termination Agreement; and (iii) Assumption Agreement; the new Shares to be issued upon (a) conversion of Listco Preferred Shares; and (b) exercise of the Share Options; and the Warrant Shares and FELS Warrant Shares to be issued upon exercise of the Warrants and FELS Warrants respectively, will rank *pari passu* in all aspects, including all rights as to dividend, voting and interest in capital, among themselves and with all other shares of the Company in issue on the date of issue. Subject to as provided in the Bye-Laws of the Company and the applicable laws, the Company shall not alter the rights attached to the Shares to be issued under the Creditors' Scheme, Offer Shares, Subscription Shares, Shipyard Termination Shares, Assumption Consideration Shares, Listco Preferred Shares, Warrant Shares, FELS Warrant Shares and the new Shares without passing a special resolution by the Shareholders.

As at the Latest Practicable Date, the Company has (i) outstanding Share Options entitling the holders thereof to subscribe for a total of 20,640,000 Shares; (ii) 555,000,000 outstanding Listco Preferred Shares entitling the holder thereof to convert those shares into 555,000,000 Shares based on the conversion ratio of 1:1; and (iii) the Listco Convertible Notes in the outstanding principal amount of US$47,960,000 entitling holders thereof to convert those notes into 523,483,348 Shares based on the conversion rate of 10,915 Shares per US$1,000.

Save for the above, no options, warrants, derivatives or any equity or debt securities of the Company or other securities convertible or exchangeable into Shares or any other derivatives was outstanding or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital. None of the equity or debt securities of the Company is listed or dealt in any other stock exchange and listing or permission to deal in the Shares or loan capital of the Company is not being, or proposed to be, sought on any other stock exchange.

The Company has not issued any new Shares since 31 December 2014, being the end of the last financial year. The Shares are listed on the Main Board of the Stock Exchange.

As at the Latest Practicable Date, none of the capital of any member of the Group (i) has been altered since 31 December 2014, being the date to which the latest published audited accounts of the Company were made up, or (ii) is under option, or agreed conditionally or unconditionally to be put under option.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

Interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors contained in the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) pursuant to the requirement of the Takeovers Code were as follows:

(a) Interests of Directors

Long positions in the Shares:

Shares

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

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

Options outstanding under the share option scheme of the Company

Name of Director	Capacity	Number of underlying Shares (options granted)	Approximate % of shareholding
Mr. Wong Siu Hung Patrick	Beneficial owner	10,000,000	0.13

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had registered any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as required to be recorded pursuant to Section 352 of the SFO, or as otherwise were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group or had any options in respect of such capital are set out below:

Long positions:

Name	**Capacity**	**Number of shares and underlying shares**	**Approximate percentage *(%)* of shareholding** *(Note 6)*
Mr. Tsoi Tin Chun	Interest of controlled corporations	3,556,353,661	45.47
Ms. Tsoi Yuk Yi	Interest of spouse	3,556,353,661 *(Note 1)*	45.47
Titan Oil Pte Ltd	Interest of a controlled corporation/Beneficial owner	3,556,353,661 *(Note 1)*	45.47
Great Logistics Holdings Limited	Interest of controlled corporations/Beneficial owner	3,224,477,760 *(Note 1)*	41.23
Moral Base Investment Limited	Beneficial owner	1,000,000,000	12.79
Mr. Wong Chi Leung	Interest of a controlled corporation/Interest of spouse	1,000,000,000 *(Note 2)*	12.79
Ms. Wong Kwok Ying	Interest of a controlled corporation/Interest of spouse	1,000,000,000 *(Note 2)*	12.79
Grand China Logistics Holding (Group) Company Limited	Beneficial owner	500,000,000 *(Note 3)*	6.39
Haikou Meilan International Airport Co., Ltd.	Interest of controlled corporations	500,000,000 *(Note 3)*	6.39

Name	Capacity	Number of shares and underlying shares	Approximate percentage *(%)* of shareholding *(Note 6)*
Hainan Development Holdings Co., Ltd.	Interest of controlled corporations	500,000,000 *(Note 3)*	6.39
He Xiaoqun	Interest of controlled corporations	45,967,286,141 *(Note 4)*	587.77%
Liang Wei	Interest of controlled corporations	45,967,286,141 *(Note 4)*	587.77%
Xia Yingyan	Interest of controlled corporations	45,967,286,141 *(Note 4)*	587.77%
Hainan Li Jin Investment Company Limited	Interest of controlled corporations	45,967,286,141 *(Note 4)*	587.77%
Zhuhai Zhenrong Company	Interest of controlled corporations	45,967,286,141 *(Note 4)*	587.77%
GZE	Interest of controlled corporations/Beneficial owner	7,477,026,002 12,977,584,415 *(Note 4)*	261.55%
	Interest of controlled corporations	555,000,000 Listco Preferred Shares	100%
Fame Dragon	Beneficial owner	7,477,026,000	261.55%
Wang Jianqing	Interest of controlled corporations	2,600,000,000 *(Note 5)*	33.25%
Cheng Xu	Interest of spouse	2,600,000,000 *(Note 5)*	33.25%
Victory Stand	Beneficial owner	2,600,000,000	33.25%
Wahen Investments	Beneficial owner	3,600,000,000	46.03%
DBIL	Beneficial owner	555,000,000 Listco Preferred Shares	100%

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

By virtue of the SFO, Mr. Tsoi and Ms. Tsoi were deemed to be interested in the shares of the Company held by Titan Oil, Great Logistics, TSICL and Vision Jade as at 30 June 2014.

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

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

Note 3: Based on the disclosure of interests notices filed with the Stock Exchange on 23 December 2010, Grand China Logistics Holding (Group) Company Limited ("Grand China Logistics") was interested in 500,000,000 shares of the Company.

Pursuant to the SFO, as Haikou Meilan International Airport Co., Ltd. ("Haikou Meilan") together with its fellow corporations namely Yangtze River Investment Holding Co., Ltd. and Bohai International Trust Co., Ltd. were interested in more than one-third of the equity interest in Grand China Logistics, Haikou Meilan was deemed to be interested in the shareholding interest of Grand China Logistics in the Company.

Pursuant to the SFO, as Hainan Development Holdings Co., Ltd ("Hainan Development") together with its fellow corporations namely Grand China Air Co., Ltd. and Hainan Airlines Co., Ltd., which in turn were interested in more than one-third of the equity interest in Haikou Meilan, Hainan Development was deemed to be interested in the shareholding interests of Grand China Logistics in the Company.

Grand China Logistics, Haikou Meilan and Hainan Development were deemed to be ceased to have interests in the ordinary shares of the Company. Due to the failure of Grand China Logistics to make stage payments when they fell due under a sale and purchase agreement dated 11 December 2010, the condition was not satisfied on or before the long stop date in December 2011 and the subscription agreement date 11 December 2010 has lapsed.

Note 4: Zhuhai Zhen Rong Company (a PRC state-owned enterprise) and Hainan Li Jin Investment Co., Ltd. ("Hainan Li Jin") were interested in 44.3% and 35% respectively in the share capital of GZE, and were deemed under the SFO to be interested in the shares in which GZE had an interest. Hainan Li Jin was owned as to 34% by Xia Ying Yan, as to 33% by He Xiao Qun and as to 33% by Liang Wei.

Fame Dragon is wholly owned by Guangdong Zhenrong (Hong Kong) Company Limited which in turn is wholly-owned by GZE. Fame Dragon agreed under four sale and purchase agreements signed with TSICL, Vision Jade, Great Logistics and Titan Oil (collectively, the "Vendors") to acquire in aggregate 3,556,353,661 ordinary shares and the Vendors had given irrevocable proxies to Fame Dragon so that the voting rights of such shares had been transferred to Fame Dragon on 30 August 2012.

Under a subscription agreement entered into between the Company and GZE, GZE agreed to subscribe for, 3,461,093,248 new non-voting participating convertible preferred shares ("Preferred Shares A") and provide an equity line by subscribing 780,000,000 new non-voting participating convertible preferred shares ("Preferred Shares B"). Consequently, GZE was deemed under the SFO to be interested in aggregate of 45,967,286,141 shares, comprising 3,556,353,661 ordinary shares, 3,461,093,248 Preferred Shares A and 780,000,000 Preferred Shares B.

At the special general meeting held on 28 February 2013, all the ordinary resolutions and special resolutions to approve, *inter alia*s, the subscription agreement were not passed. As such, GZE were deemed to be ceased to have interests in 3,461,093,248 Preferred Shares A and 780,000,000 Preferred Shares B.

Fame Dragon entered into the Underwriting Agreement and is deemed to be interested in the Shares to be issued.

In addition, GZE entered into Assumption Agreement and the Shipyard Termination Agreement and is deemed to be interested in the Shares to be issued under the Assumption Agreement and Shipyard Termination Agreement.

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

Note 6: Based on 7,820,554,682 ordinary shares of the Company issued as at the Latest Practicable Date.

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

Other interests in the Company

As at the Latest Practicable Date,

a) neither the Company or any Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and

b) no person had prior to the posting of this Circular, irrevocably committed himself/herself/itself to vote for or against the Whitewash Waiver and/or the Special Deal or to take up Shares to be provisionally allotted under the Open Offer.

Interest in GZE

None of the Company or any of the Directors had any interest in the shares, warrants, options, derivatives, and securities carrying conversion or subscription rights into shares of GZE. During the period from the 6 months prior to the date of Announcement and up to the Latest Practicable Date, none of the Company or any Directors had dealt for value in shares, convertible securities, warrants, options and derivatives of GZE.

4. DIRECTORS' INTERESTS IN ASSET

As at the Latest Practicable Date, none of the Directors had: (a) any direct or indirect interests in any assets which have been since 31 December 2014 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (b) any subsisting material interest in any contract or arrangement which is significant in relation to the business of the Group.

5. MARKET PRICES

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the Last Trading Day; (ii) the last trading day on which dealings took place in each of the calendar months during the period commencing six months immediately preceding the date of the Announcement and ending on the Latest Practicable Date; and (iii) the Latest Practicable Date.

Date	**Closing price of the Shares** *HK$*
18 June 2012 (the Last Trading Day)	0.246
30 November 2014	Suspended
31 December 2014	Suspended
31 January 2015	Suspended
28 February 2015	Suspended
31 March 2015	Suspended
30 April 2015	Suspended
18 May 2015 (the last business day before the Announcement)	Suspended
Latest Practicable Date	Suspended

Trading in the Shares has been suspended since 9:00 a.m. on 19 June 2012 and remains suspended during the period commencing six months immediately preceding the date of the Announcement and the last closing price before the Suspension was HK$0.246 on 18 June 2012.

6. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, save for what has been disclosed in this circular:

(a) none of the Directors was given any benefit as compensation for loss of office or otherwise in connection with the Restructuring, the Special Deal and/or the Whitewash Waiver;

(b) none of the Directors has entered into any agreement or arrangement with any other person which is conditional on or dependent upon the outcome of the Restructuring the Special Deal and/or the Whitewash Waiver or otherwise connected with the Restructuring, the Special Deal and/or the Whitewash Waiver;

(c) no material contract was entered into by GZE, Fame Dragon and parties acting in concert with any of them in which any Director has a material personal interest;

(d) there was no agreement, arrangement or understanding between GZE and any other person to transfer, charge or pledge the beneficial interests in the Shares acquired in pursuance of the Restructuring;

(e) there was no agreement, arrangement or understanding between Fame Dragon and any other person to transfer, charge or pledge the beneficial interests in the Shares acquired in pursuance of the Restructuring;

(f) there was no agreement, arrangement or understanding (including any compensation arrangement) between GZE or any person acting in concert with it and any Director, recent Director, Shareholders or recent Shareholders of the Company which had any connection with or dependence upon the Restructuring, the Special Deal and/or the Whitewash Waiver;

(g) no Shares, convertible securities, warrants, options and derivatives in the Company were owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or by any advisor to the Company as specified in class (2) of the definition of associate under the Takeovers Code;

(h) no Shares, convertible securities, warrants, options and derivatives in the Company were owned or controlled by a person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate and neither the Company nor such person who is an associate of the Company have entered into such an arrangement;

(i) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers connected with the Company; and

(j) there is no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which exist between the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associate, and any other person.

During the period from 6 months prior to the date of the Announcement and up to the Latest Practicable Date,

(a) none of the subsidiaries of the Company, any pension fund of the Company or any of its subsidiaries, nor any adviser to the Company as specified in class (2) of the definition of associate in the Takeovers Code (excluding exempt principal traders) has dealt for value in he Shares, convertible securities, warrants, options or derivatives of the Company;

(b) no person has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) or the definition of associate in the Takeovers Code has dealt for value in the Shares, convertible securities, warrants, options or derivatives of the Company; and

(c) no fund managers (other than exempt fund managers) managing funds on a discretionary basis which are connected with the Company had dealt for value in the Shares, convertible securities, warrants, options or derivatives of the Company.

7. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, were entered into by the Group within 2 years immediately preceding the date of the Announcement and up to the Latest Practicable Date, which are or may be material:

(a) 2015 Loan Agreement;

(b) Assumption Agreement;

(c) CGL Resources Subscription Agreement;

(d) Deed of Undertaking;

(e) First Wahen Investments Subscription Agreement;

(f) Frontline Settlement Agreement;

(g) FTSD Purchase Order Framework Agreement;

(h) GZE Excess Liabilities Undertaking;

(i) GZE Purchase Order MOU;

(j) Haixin Debt Rescheduling Agreement;

(k) K-Line Settlement Agreement;

(l) K-Line Support Agreement;

(m) Listco Preferred Shares Modification Deed;

(n) Loan Rescheduling Agreements;

(o) Management Services Agreement;

(p) New Berkely Subscription Agreement;

(q) Second Loan Agreement;

(r) Shipyard Debt Rescheduling Agreement;

(s) Shipyard Termination Agreement;

(t) Supplemental Second Loan Agreement;

(u) TPG Debt Rescheduling Agreement;

(v) Underwriting Agreement;

(w) Victory Stand Subscription Agreement;

(x) Wahen Investments Subscription Agreement; and

(y) Working Capital Loan Agreement.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation other than statutory compensation. As at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies, which:

(a) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the Announcement;

(b) are continuous contracts with a notice period of 12 months or more; or

(c) are fixed term contracts with more than 12 months to run irrespective of the notice period.

9. LITIGATION

Bermuda Proceedings

Saturn Petrochemcial filed a petition for the winding-up of the Company on 9 July 2012 (Bermuda time) (the "SPHL Petition"). The SPHL Petition was subsequently struck out by the Bermuda Court, and Camden was substituted as the petitioner in place of Saturn Petrochemical upon its application to the Bermuda Court.

On 18 October 2013 (Bermuda time), the Bermuda Court ordered the appointment of the Provisional Liquidators to the Company to, amongst other powers and duties, consider the terms of any scheme of arrangements proposed by the Company and to assess the feasibility of any restructuring proposal of the Company.

The hearing of the winding up petition by Camden was adjourned to 29 May 2015 (Bermuda time).

The Company has made applications to Bermuda Court for an order to extend the long-stop date of the Creditors' Scheme and to consider further funding to finance the Resumption Proposal. At the hearing held on 6 March 2015, the Bermuda Court ordered to extend the long-stop date of the Creditors' Scheme to 31 July 2015 and to approve the entering into of the 2015 Loan Agreement.

It is expected that upon the successful resumption and trading of the Shares and completion of the Restructuring, the Provisional Liquidators will be discharged and the winding up petition will be dismissed or withdrawn by Camden.

In the meantime, Camden (the petitioner in the winding up proceedings), Edinburgh and Mayfair, the Company, TSL were involved in various arbitration proceedings relating to, among other things, the claim based on which Camden filed its winding up petition against the Company.

BVI Proceedings

On 18 June 2012 (BVI time), Saturn Storage filed an application with the BVI Court to liquidate TGIL.

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

On 18 July 2012 (BVI time), TOSIL, a wholly-owned subsidiary of the Company and a shareholder of TGIL, filed a notice of appeal at the BVI Court of Appeal against the liquidation order.

The liquidation procedure of TGIL Group has commenced and the liquidation is not completed as at the Latest Practicable Date.

The Company, TGIL, TOSIL and Saturn Storage have been in negotiations on the Hong Kong Proceedings (discussed below) and the BVI Proceedings. The negotiations are in advance stages. It is expected that, pending settlement of the Hong Kong proceedings as discussed below, the Company will withdraw the appeal against the liquidation order before the BVI Court of Appeal.

Hong Kong Proceedings

On 19 July 2012, Saturn Storage initiated proceedings in the Hong Kong High Court against the Company and other parties including TOSIL and two directors of the Company in respect of, among other things, (i) the breach of the amended and restated investor rights agreement in respect of TGIL dated 17 July 2009; and (ii) misrepresentations regarding the financial position of TGIL, and its subsidiaries.

The Company and TOSIL have been in advance stages of negotiations with Saturn Storage with a view to reaching a settlement with Saturn Storage relating to the proceedings. It is expected that settlement will be reached shortly, failing which the Company and TOSIL will consider making an application to strike out the claims from Saturn Storage in these Hong Kong Proceedings.

The Hong Kong High Court fixed a second case management conference for hearing on 21 November 2014. On 17 November 2014, the Hong Kong High Court ordered (by consent) that (i) the second case management conference due to be heard on 21 November 2014 be vacated and adjourned to 13 March 2015; and (ii) all further proceedings be stayed until 16 January 2015.

The Company has obtained the permission from the Bermuda Court to enter into a deed of settlement with Saturn Storage and other relevant parties relating to the Hong Kong Proceedings on 12 December 2014. The deed of settlement is pending on the signatures of all parties.

The Hong Kong Court ordered (by consent) on 12 March 2015 that (i) the second case management conference due to be heard on 13 March 2015 be vacated and adjourned to 7 July 2015; and (ii) all further proceedings to be stayed until 30 April 2015 pending finalisation of the global settlement among the parties. No further proceeding has been taken by the relevant parties after 30 April 2015 up to the Latest Practicable Date.

PRC Proceedings

On 30 May 2012, TPFL received a summons issued by Shanghai Intermediate Court with Grand China Logistics as plaintiff and the Company, TQSL Holding and TPFL as defendants, that seeks an order for, among other things, termination of the Shipyard Sale and Purchase Agreement and repayment to Grand China Logistics of an aggregate of RMB740 million together with accrued interest or for the Company to fulfil its obligation under its guarantee to repay such amount.

On 23 August 2012, TPFL filed a statement of counterclaim against Grand China Logistics with the Shanghai Intermediate Court to seek, amongst other remedies, specific performance by Grand China Logistics of the Shipyard Sale and Purchase Agreement.

On 10 June 2013, the Company received a notification from Grand China Logistics dated 7 June 2013 informing the Company that it had entered into an assignment with GZE pursuant to which it would assign to GZE all of its interests, rights and obligations in respect of the Shipyard Sale and Purchase Agreement.

On 23 December 2013, the Shanghai Intermediate Court ordered the discontinuation of the proceedings in relation to the counterclaim lodged by TPFL against Grand China Logistics on the grounds that, following such assignment, Grand China Logistics was no longer the appropriate defendant for the counterclaim as it had transferred all its interests, rights and obligations in respect of the Shipyard Sale and Purchase Agreement to GZE. On 26 December 2013, the Shanghai Intermediate Court approved the application by Grand China Logistics to the withdrawal of the claim initiated by Grand China Logistics against the Company, TQSL Holding and TPFL in relation to the Shipyard Sale and Purchase Agreement.

10. EXPERTS AND CONSENTS

The following is the qualifications of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
HLB Hodgson Impey Cheng Limited (“HLB”)	Certified Public Accountants
Quam Capital Limited (“Quam Capital”)	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
Asian Capital	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Access Partner Consultancy & Appraisals Limited (“Access Partner”)	An independent professional valuer

Each of HLB, Quam Capital, Asian Capital and Access Partner has given and has not withdrawn its consent to the issue of this circular with the inclusion of its report(s) or letter(s), as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of HLB, Quam Capital, Asian Capital and Access Partner was not beneficially interested in the share capital of any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group nor did they have any interest, either direct or indirect, in any assets which had been since 31 December 2014 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. CORPORATE INFORMATION

The Company Name	Titan Petrochemicals Group Limited (Provisional Liquidators appointed)
Registered office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head office and principal place of business	4902 Sun Hung Kai Centre 30 Harbour Road Wanchai Hong Kong
Legal advisers	DLA Piper Hong Kong 17th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road, Central, Hong Kong Read Smith Richard Butler 20th Floor, Alexandra House 18 Chater Road Central Hong Kong Marshall Diel & Myers Limited 31 Reid Street Hamilton HM12 Bermuda Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong Beijing B&D (Guangzhou) Law Firm Unit F3, 27/F., Guangda Building, 689 Tianhe Beilu, Tianhe District, Guangzhou, China

Auditor	HLB Hodgson Impey Cheng Limited *Certified Public Accountants* 31/F, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong
Principal bankers	Bank of China Bank of China Tower, 1 Garden Road, Central, Hong Kong China Construction Bank Huian Branch Huiming Building, Da Hong Bu, Luoyang Town, Huian County, Quanzhou City, Fujian Province, China Industrial and Commercial Bank of China Limited Huian Branch 29 Huixing Road, Huian County, Quanzhou City, Fujian Province, China The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central, Hong Kong Shanghai Pudong Development Bank Co., Ltd. Fuzhou Branch, 222 Hu Dong Road, Gulou District, Fuzhou city, Fujian Province, China

Hong Kong branch registrars	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal share registrars and transfer office	MUFG Fund Services (Bermuda) Limited The Belvedere Building 69 Pitts Bay Road Pembroke HM08 Bermuda
Authorised representatives	Mr. Fu Yong Yuan 4902, 49/F Sun Hung Kai Centre 30 Harbour Road Wanchai, Hong Kong
Company secretary	Ms. Hui Wai Man Shirley *FCCA & FCIS*

12. PARTICULARS OF DIRECTORS AND PROPOSED DIRECTORS

(a) The business addresses of the Directors are set out below:

Executive Directors

Mr. Zhao Xu Guang	4902, 49/F Sun Hung Kai Centre 30 Harbour Road Wanchai, Hong Kong
Mr. Tang Chao Zhang	4902, 49/F Sun Hung Kai Centre 30 Harbour Road Wanchai, Hong Kong
Mr. Wong Siu Hung, Patrick	4902, 49/F Sun Hung Kai Centre 30 Harbour Road Wanchai, Hong Kong
Mr. Fu Yong Yuan	4902, 49/F Sun Hung Kai Centre 30 Harbour Road Wanchai, Hong Kong

Non-executive Directors

Mr. Fan Qing Hua	4902, 49/F Sun Hung Kai Centre 30 Harbour Road Wanchai, Hong Kong
Mr. Hu Zhong Shan	4902, 49/F Sun Hung Kai Centre 30 Harbour Road Wanchai, Hong Kong

Independent non-executive Directors

Mr. Foo Meng Kee	4902, 49/F Sun Hung Kai Centre 30 Harbour Road Wanchai, Hong Kong
Mr. Lau Fai Lawrence	4902, 49/F Sun Hung Kai Centre 30 Harbour Road Wanchai, Hong Kong
Mr. Lau Yiu Kit	4902, 49/F Sun Hung Kai Centre 30 Harbour Road Wanchai, Hong Kong

(b) The brief biographies of the Directors are set out below:

Executive Directors

Mr. Zhao Xu Guang *(Chairman and Chief Executive)*, aged 51, has been chairman of the Board and an executive Director since 3 July 2012 and was appointed as the Chief Executive of the Company with effect from 23 October 2014. He is responsible for the strategic development of business and operations of the Group's business as well as the organisation structure and the team development. He is currently a co-chairman of 中國富強基金會有限公司 (China Fortune Foundation Limited). From 1987 to 1991, he worked for 中華人民共和國商務部 (the Ministry of Commerce of the People's Republic of China, formerly known as the Ministry of Foreign Economic Relations and Trade in 1982 which was further renamed the Ministry of Commerce of the People's Republic of China in 2003). In the past, he has acted as general manager, chairman and director of various enterprises specializing in trading, investment, property and in the energy field. Mr. Zhao has more than 20 years of working experience in corporate management, securities investment, corporate merger and restructuring and commercial disputes. He graduated from Guangdong University of Foreign Studies with a Bachelor of Economics degree.

Save as disclosed above, Mr. Zhao has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Zhao is interested in 1,800,000,000 Shares and 1,800,000,000 Warrants to be issued under the Wahen Investments Subscription Agreement. Save as disclosed above, Mr. Zhao does not have any relationships with any directors, senior management, substantial or controlling shareholders of the Company, nor any interests in the Shares within the meaning of Part XV of the SFO.

Mr. Tang Chao Zhang, aged 40, has been appointed as an executive Director since 26 March 2013. He was the Chief Executive of the Company from 26 March 2013 to 23 October 2014. He was a vice-president of Guangdong Zhenrong Energy Co., Ltd and is currently a director of Fame Dragon International Investment Limited. From 2008 to 2011, Mr. Tang took up the role of vice-president of 廣東振戎石油化工有限公司 (Guangdong Zhenrong Petrochemical Co., Ltd). He is also a director of 雲南振戎潤德珠寶有限公司 (Yunnan Zhenrong Runde Jewellery Ltd). Mr. Tang graduated from Guangdong University of Foreign Studies with a Bachelor of Arts degree in International Marketing.

Save as disclosed above, Mr. Tang Chao Zhang has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Save as disclosed above, Mr. Tang Chao Zhang does not have any relationships with any directors, senior management, substantial or controlling shareholders of the Company, nor any interests in the Shares within the meaning of Part XV of the SFO.

Mr. Wong Siu Hung Patrick, aged 59, has been an executive Director since 7 May 2008. Mr. Wong has more than 30 years of working experience in banking, finance, commodity trading and project development. Prior to joining the Company, Mr. Wong was senior vice president of Commodity and Trade Finance at Societe Generale in Singapore and worked at commodity trading firms such as Louis Dreyfus where he was chief executive officer of China. Mr. Wong is an Associate Member of the Chartered Institute of Bankers, United Kingdom and holds a master degree in Applied Finance from Macquarie University, Australia.

Save as disclosed above, Mr. Wong Siu Hung Patrick has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Wong Siu Hung Patrick is interested in 10,000,000 share options of the Company. Save as disclosed above, Mr. Wong Siu Hung Patrick does not have any relationships with any directors, senior management, substantial or controlling shareholders of the Company, nor any interests in the Shares within the meaning of Part XV of the SFO.

Mr. Fu Yong Yuan, aged 59, was appointed as an Executive Director on 3 July 2012 and the chairman of Titan Quanzhou Shipyard Co., LTD. in August 2012. He was a general manager of Rojam Entertainment Holdings Limited. Mr. Fu has over 40 years of experience in shipping and fright management. He served in COSCO System for two decades from 1972 to 1992. Mr. Fu worked for 廣州遠洋運輸公司 (COSCO Guangzhou) and was responsible for managing of freight, container transportation and vessel chartering operations. He was a general manager of 中遠系統福星航運企業有限公司廣州分公司 (COSCO FuXing Shipping Enterprises Limited Guangzhou Branch) and a general manager and executive director of 廣東華銓船務有限公司 (Guangdong HuaQuan Shipping Limited). Mr. Fu, a marine engineer and an economist for the shipping management, graduated from Guangdong Province Economics Management Institute majoring in Industrial Economic Management.

Save as disclosed above, Mr. Fu Yong Yuan has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Save as disclosed above, Mr. Fu Yong Yuan does not have any relationships with any directors, senior management, substantial or controlling shareholders of the Company, nor any interests in the Shares within the meaning of Part XV of the SFO.

Non-executive Directors

Mr. Fan Qinghua, aged 53, was appointed as a non-executive Director of the Company on 26 March 2013. He is currently a director and deputy general manager of Guangdong Zhenrong Energy Co., Ltd, and a director of Fame Dragon International Investment Limited. From 1992 to 1995, he joined 珠海東大集團公司 (Zhuhui Dongda Group) in the capacity of manager of the finance department and assistant general manager. From 1995 to 1998, he was a senior deputy general manager of 珠海九豐阿科能源有限公司 (Zhuhai Jovoarco Energy Ltd). Mr. Fan is also the chairman of the trade union of Guangdong Zhenrong Energy Co., Ltd, and a director of 上海市振戎石油有限公司 (Shanghai Zhenrong Petroleum Co., Ltd), 廣東晟戎能源有限公司 (Guangdong Shengrong Energy Co., Ltd) and 新華(大慶)商品交易所有限公司 (Xinhua Commodity Exchange Co., Ltd). Mr. Fan studied Economic Management and graduated from Henan Normal University.

Save as disclosed above, Mr. Fan Qinghua has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Save as disclosed above, Mr. Fan Qinghua does not have any relationships with any directors, senior management, substantial or controlling shareholders of the Company, nor any interests in the Shares within the meaning of Part XV of the SFO.

Mr. Hu Zhong Shan, aged 60, was appointed as a non-executive Director on 29 August 2012 and was appointed as a member of the remuneration committee on 5 February 2013. He is currently the chairman of 亞洲興業發展有限公司 (Asian Inc. Development Limited). He was also a general manager of 海南柯達彩擴中心 (Hainan Keda Cai Kuo Centre), a vice president of 誠成企業集團(中國)有限公司 (Cheng Cheng Enterprises Group Co., Ltd. (China)), a director of 誠成文化股份有限公司 (Cheng Cheng Culture Inc) and a chairman of 健發控股有限公司 (Jian Fa Holdings Limited). He specializes in PRC legal affairs and commercial dispute resolutions. Mr. Hu studied law at the Wuhan Executive School of Management.

Save as disclosed above, Mr. Hu Zhong Shan has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Save as disclosed above, Mr. Hu Zhong Shan does not have any relationships with any directors, senior management, substantial or controlling shareholders of the Company, nor any interests in the Shares within the meaning of Part XV of the SFO.

Independent non-executive Directors

Mr. Foo Meng Kee, aged 65, was appointed as an independent Non-executive Director on 27 December 2013 and is also the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee. Mr. Foo served in Hitachi Zosen Singapore Ltd. from 1976 to 1998 and he successfully led the listing of the company on the main board of the Singapore Exchange in 1992. Currently, he is the principal owner and the managing director of MK Capital Pte Ltd and MK Marine Pte Ltd. He also holds directorships in the following companies listed on Singapore Exchange: Sinarmas Land Limited and Lee Metal Group Ltd, being the independent director and chairman of audit committee; and Jiutian Chemical Group Limited, being the non-executive and independent director. Mr. Foo is currently an Independent Non-Executive Director of Courage Marine Group Limited, a company listed on the Hong Kong Stock Exchange and Singapore Exchange. During the period from January 2006 to August 2013, he was the independent director and chairman of nominating committee of See Hup Seng Limited. Mr. Foo obtained a Bachelor of Commerce (Honours) from Nanyang University of Singapore in 1973, and a Master of Business Administration from University of Dubuque, USA, in 1990.

Save as disclosed above, Mr. Foo Meng Kee has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Save as disclosed above, Mr. Foo Meng Kee does not have any relationships with any directors, senior management, substantial or controlling shareholders of the Company, nor any interests in the Shares within the meaning of Part XV of the SFO.

Mr. Lau Fai Lawrence, aged 43, was appointed as an independent non-executive Director on 13 March 2014 and is also the chairman of the audit committee and a member of thte remuneration committee. Mr. Lau is currently a practising certified public accountant in Hong Kong, a member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants in the UK. Mr. Lau graduated from the University of Hong Kong with a bachelor's degree in business administration in 1994 and obtained a master's degree in corporate finance from Hong Kong Polytechnic University in 2007. Mr. Lau is the company secretary of BBMG Corporation, a company listed on the main board of the Stock Exchange. Mr. Lau is an executive director of China Packaging Group Company Limited and an independent non-executive director of Artini China Co. Ltd., both companies are listed on the main board of the Stock Exchange.

Save as disclosed above, Mr. Lau Fai Lawrence has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Save as disclosed above, Mr. Lau Fai Lawrence does not have any relationships with any directors, senior management, substantial or controlling shareholders of the Company, nor any interests in the Shares within the meaning of Part XV of the SFO.

Mr. Lau Yiu Kit, aged 55, was appointed as an independent non-executive Director on 23 March 2015 and is also a member of the audit committee and a member of the nomination committee, is currently a practising certified public accountant in Hong Kong, a member of the Institute of Chartered Accountants in England and Wales and a member of the Association of Chartered Certified Accountants in Hong Kong and a member of the Taxation Institute of Hong Kong. Mr. Lau is an independent non-executive director of Artini China Co. Ltd. (Stock Code: 789), which is listed on the main board of the Stock Exchange.

Save as disclosed above, Mr. Lau Yiu Kit has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Save as disclosed above, Mr. Lau Yiu Kit does not have any relationships with any directors, senior management, substantial or controlling shareholders of the Company, nor any interests in the Shares within the meaning of Part XV of the SFO.

13. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or proposed Directors and/or their respective associates was considered to have an interest in a business which competes or is likely to complete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and their respective associates were appointed to represent the interests of the Company and/or the Group.

14. GENERAL

(i) The registered address of GZE is situated at 35/F, International Finance Plaza, No. 8 Huaxia Road, Zhujiang New Town, Tianhe District, Guangzhou.

(ii) The registered address of Fame Dragon is situated at 3214 COSCO Tower, 32/F, 183 Queen's Road Central, Hong Kong.

(iii) The registered office of DBIL is situated at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

(iv) The registered address of Asian Capital is situated at Suite 601, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

(v) The registered address of Quam Capital is situated at 18/F-19/F China Building, 29 Queen's Road Central, Hong Kong.

If there is any inconsistency between the Chinese name of PRC entities, departments, facilities or titles mentioned in this circular and their English translation, the Chinese version shall prevail. Other than that, the English text of this circular shall prevail over the Chinese text in the case of inconsistency.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. on any business day (except public holiday and with prior notice) at the principal office of business of the Company in Hong Kong at 4902 Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the SGM in accordance with Note 1 to Rule 8 of the Takeovers Code and will be displayed on the website of the SFC (www.sfc.hk) and on the Company's website (http://www.petrotitan.com).

(i) memorandum of association of the Company and the Bye-Laws;

(ii) memorandum of association of GZE;

(iii) memorandum and article of association of Fame Dragon;

(iv) the annual reports of the Company for the financial years ended 31 December 2012, 2013 and 2014 as set out in the Appendix I to this circular;

(v) the letter from the Board as set out in this circular;

(vi) the letter from the LR Independent Board Committee as set out in this circular;

(vii) the letter from the TC Independent Board Committee as set out in this circular;

(viii) the letter from the Independent Financial Adviser as set out in this circular;

(ix) the unaudited pro forma financial information of the Group as set out in Appendix II to this circular;

(x) the report from HLB Hodgson Impey Cheng Limited on unaudited pro forma financial information of the Group as set out in Appendix II to this circular;

(xi) the comfort letter from HLB Hodgson Impey Cheng Limited in relation to the statement from the Directors confirming working capital sufficiency for at least 12 months from trading resumption;

(xii) the report from HLB Hodgson Impey Cheng Limited on profit forecast for the two years ending 31 December 2015 and 2016 as set out in Appendix III to this circular;

(xiii) the report from Quam Capital on profit forecast for the two years ending 31 December 2015 and 2016 as set out in Appendix III to this circular;

(xiv) the valuation report on the Properties from Access Partner Consultancy & Appraisals Limited as set out in Appendix IV to this circular;

(xv) the written consents referred to in the paragraph headed ''Expert and Consents'' in this appendix;

(xvi) all material contracts referred to in the paragraph headed ''Material Contracts'' in this appendix; and

(xvii) this circular.

Titan Petrochemicals Group Limited

(Provisional Liquidators appointed)

(Incorporated in Bermuda with limited liability)

(Stock Code: 1192)

NOTICE IS HEREBY GIVEN THAT a special general meeting (the "**SGM**") of Titan Petrochemicals Group Limited (the "**Company**") will be held at 4902, 49/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Monday, 22 June 2015 at 11:00 a.m., for the purposes of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**

   (a) the debt rescheduling agreement dated 5 May 2014 (as amended by supplemental agreement(s)) and entered into between (1) 泉州船舶工業有限公司 (Titan Quanzhou Shipyard Co. Ltd.*) ("**TQS**"), a sino-foreign equity joint venture established in the PRC and an indirect wholly-owned subsidiary of Titan Petrochemical Group Limited (the "**Company**") and (2) 廣東振戎能源有限公司 (Guangdong Zhenrong Energy Co., Ltd*) ("**GZE**"), a company incorporated in the PRC and the controlling shareholder of the Company, in relation to loans that were originally made by Shanghai Pudong Development Bank Co. Ltd. Fuzhou Branch to TQS over the period from 2009 to 2011, in which the bank subsequently assigned its rights and interests with respect to those loans and related security interests to China Cinda Asset Management Co., Ltd. which then further assigned those rights and interests to GZE (the "**Shipyard Debt Rescheduling Agreement**") (copy of which has been produced to the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification), and all transactions contemplated thereunder, in accordance with the terms of the Shipyard Debt Rescheduling Agreement, be and is hereby approved, confirmed and ratified; and

   (b) any one or two directors of the Company (the "**Directors**") be and is/are hereby authorized on behalf of the Company to take all steps necessary, appropriate, desirable or expedient in his/their opinion to be in the interests of the Company and its shareholders as a whole to approve and implement and/or give effect to the Shipyard Debt Rescheduling Agreement and the transactions contemplated thereunder, including, *inter alia*, (i) to sign, seal, execute, amend, perfect, deliver, submit and/or implement any documents, instruments and agreements in connection with or pursuant to the Shipyard Debt Rescheduling Agreement; (ii) to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such

documents, which are not fundamentally different from those as provided under the Shipyard Debt Rescheduling Agreement); and (iii) to exercise all such powers and do all such necessary acts and things to give effect to and/or implement the transactions contemplated under the Shipyard Debt Rescheduling Agreement PROVIDED THAT such further documents or agreements will be of administrative nature and ancillary to the implementation of the Shipyard Debt Rescheduling Agreement."

2. "**THAT**

(a) the shipyard termination agreement dated 5 May 2014 (as amended by supplemental agreement(s)) and entered into between the (1) Company, (2) 泰山石化(福建)有限公司 (Titan Petrochemicals (Fujian) Ltd.*) ("**TPFL**"), a company incorporated with limited liability in the PRC and a direct wholly-owned subsidiary of the Company, (3) Titan TQSL Holding Company Limited, a company incorporated with limited liability in the BVI and an indirect wholly-owned subsidiary of the Company ("**TQSL Holding**") and (4) GZE in relation to the termination of a shipyard sale and purchase agreement and with respect to the amount of RMB740,000,000 (equivalent to approximately HK$938,216,400) that was originally paid thereunder by 大新華物流控股(集團)有限公司 (Grand China Logistics Holding (Group) Company Limited*) to TPFL and TQSL Holding the rights to which were subsequently assigned to GZE, the Company will issue 9,382,164,000 new Shares (the "**Shipyard Termination Shares**") at the issue price of HK$0.10 to GZE in lieu of repayment of such amount (the "**Shipyard Termination Agreement**") (copy of which has been produced to the meeting marked "B" and signed by the chairman of the meeting for the purpose of identification) and all transactions contemplated thereunder, in accordance with the terms of the Shipyard Termination Agreement, be and are hereby approved, confirmed and ratified; and

(b) any one or two Directors be and is/are hereby authorized on behalf of the Company to take all steps necessary, appropriate, desirable or expedient in his/their opinion to be in the interests of the Company and its shareholders as a whole to approve and implement and/or give effect to the Shipyard Termination Agreement and the transactions contemplated thereunder, including, *inter alia*, (i) to exercise the powers of the Company to allot and issue the Shipyard Termination Shares, such shares ranking *pari passu* in all respects with the shares of the Company in issue on the date of allotment and issue; (ii) to sign, seal, execute, perfect, deliver, submit and/or implement any documents, instruments and agreements in connection with or pursuant to the Shipyard Termination Agreement; (iii) to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Shipyard Termination Agreement); and (iv) to exercise all such powers and do all such necessary acts and things to give effect to and/or implement the transactions contemplated under the Shipyard Termination

Agreement PROVIDED THAT such further documents or agreements will be of administrative nature and ancillary to the implementation of the Shipyard Termination Agreement."

3. "**THAT**

(a) the assumption agreement dated 20 August 2014 (as amended by supplemental agreement(s)) and entered into between (1) Fame Dragon International Investment Limited ("**Fame Dragon**"), (2) the Company and (3) TQS (the "**Assumption Agreement**") (copy of which has been produced to the meeting marked "C" and signed by the chairman of the meeting for the purpose of identification) pursuant to which Fame Dragon agrees to assume certain debts payable by TQS in consideration for the Company agreeing to allot and issue not exceeding 3,595,420,415 new shares (the "**Assumption Consideration Shares**") at an issue price of HK$0.1 per share and all transactions contemplated thereunder, in accordance with the terms of the Assumption Agreement, be and are hereby approved, confirmed and ratified; and

(b) any one or two Directors be and is/are hereby authorized on behalf of the Company to take all steps necessary, appropriate, desirable or expedient in his/their opinion to be in the interests of the Company and its shareholders as a whole to approve and implement and/or give effect to the Assumption Agreement and the transactions contemplated thereunder, including, *inter alia*, (i) to exercise the powers of the Company to allot and issue the Assumption Consideration Shares, such shares ranking *pari passu* in all respects with the shares of the Company in issue on the date of allotment and issue; (ii) to sign, seal, execute, perfect, deliver, submit and/or implement any documents, instruments and agreements in connection with or pursuant to the Assumption Agreement; (iii) to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Assumption Agreement); and (iv) to exercise all such powers and do all such necessary acts and things to give effect to and/or implement the transactions contemplated under the Assumption Agreement PROVIDED THAT such further documents or agreements will be of administrative nature and ancillary to the implementation of the Assumption Agreement."

4. "**THAT**

(a) the deed of preferred shares dated 22 August 2014 (as amended by supplemental agreement(s)) (the "**Listco Preferred Shares Modification Deed**") and entered into between the (1) Company and (2) Docile Bright Investment Limited, in relation to, among others, the extension of the redemption period in respect of the 555,000,000 convertible redeemable preferred shares of HK$0.01 each (the "**Listco Preferred Shares**") (copy of which has been produced to the meeting marked "D" and signed by the chairman of the meeting for the purpose of identification) and all transactions contemplated thereunder, in accordance with the terms of the Listco Preferred Shares Modification Deed, be and are hereby approved, confirmed and ratified; and

(b) any one or two Directors be and is/are hereby authorized on behalf of the Company to take all steps necessary, appropriate, desirable or expedient in his/their opinion to be in the interests of the Company and its shareholders as a whole to approve and implement and/or give effect to the Listco Preferred Shares Modification Deed and the transactions contemplated thereunder, including, *inter alia*, (i) to sign, seal, execute, amend, perfect, deliver, submit and/or implement any documents, instruments and agreements in connection with or pursuant to the Listco Preferred Shares Modification Deed; (ii) to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Listco Preferred Shares Modification Deed); and (iii) to exercise all such powers and do all such necessary acts and things to give effect to and/or implement the transactions contemplated under the Listco Preferred Shares Modification Deed PROVIDED THAT such further documents or agreements will be of administrative nature and ancillary to the implementation of the Listco Preferred Shares Modification Deed."

5. "**THAT**

subject to the fulfilment of the conditions in the underwriting agreement dated 5 May 2014 (as amended by supplemental agreement(s)) and entered into between (1) Fame Dragon International Investment Limited ("**Fame Dragon**") and the (2) Company (the "**Underwriting Agreement**"), (copy of which has been produced to the meeting marked "E" and signed by the chairman of the meeting for the purpose of identification):

(a) the allotment and issue by way of open offer (the "**Open Offer**") of not less than 3,910,277,341 shares and not more than 3,920,597,341 shares of HK$0.01 each in the capital of the Company (the "**Offer Shares**") on the basis of one offer share for every two existing shares held by the qualifying shareholders on

the record date at the subscription price of HK$0.10 per Offer Share on the terms and conditions set out in the circular of the Company dated 29 May 2015 (the "**Circular**") be and is hereby approved, confirmed and ratified;

(b) subject to the allotment and issue of the Offer Shares, the Directors be and are hereby authorised to create and issue warrants ("**Open Offer Warrants**"), for no additional consideration, to the qualifying shareholders who take up the Offer Shares at the initial exercise price of HK$0.12 (subject to adjustments) per ordinary share of HK$0.01 each ("**Open Offer Warrant Share**") upon the exercise of any Open Offer Warrant and exercisable at any time between the period not earlier than the commencement of the third year but not later than the end of the third year after the issue of the Open Offer Warrant on the terms and conditions set out in the warrant instrument (copy of which has been produce to the meeting marked "F" and signed by the chairman of the meeting for the purpose of identification) on the basis of one Open Offer Warrant for each Offer Share taken up and the warrant instrument be and is hereby approved, confirmed and ratified;

(c) the Underwriting Agreement and all transactions contemplated thereunder, in accordance with the terms of the Underwriting Agreement, be and is hereby approved, confirmed and ratified; and

(d) any one or two Directors be and is/are hereby authorized on behalf of the Company to take all steps necessary, appropriate, desirable or expedient in his/their opinion to be in the interests of the Company and its shareholders as a whole to approve and implement and/or give effect to the Underwriting Agreement and the transactions contemplated thereunder, including, *inter alia*, (i) to exercise the powers of the Company to allot and issue the Offer Shares, Open Offer Warrants and Open Offer Warrant Shares, such shares ranking *pari passu* in all respects with the shares of the Company in issue on the date of allotment and issue; (ii) to sign, seal, execute, perfect, deliver, submit and/or implement any documents, instruments and agreements in connection with or pursuant to the Underwriting Agreement; (iii) to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Underwriting Agreement); and (iv) to exercise all such powers and do all such necessary acts and things to give effect to and/or implement the transactions contemplated under the Underwriting Agreement PROVIDED THAT such further documents or agreements will be of administrative nature and ancillary to the implementation of the Underwriting Agreement."

6. "**THAT**

(a) the subscription agreement dated 6 May 2015 and entered into between the Company and Wahen Investments Limited ("**Wahen Investments**") (the "**Wahen Investments Subscription Agreement**") (copy of which has been produced to the meeting marked "G" and signed by the chairman of the meeting for the purpose of identification), pursuant to which Wahen Investments conditionally agrees to subscribe for 1,800 million new shares (the "**Wahen Investments Subscription Shares**") at the subscription price of HK$0.10 per share as well as the issuance of 1,800 million warrants (the "**Wahen Investments Subscription Warrants**") to Wahen Investments at no consideration on the terms and conditions set out in the warrant instrument (copy of which has been produced to the meeting marked "H" and signed by the chairman of the meeting for the purpose of identification) and all transactions contemplated thereunder, in accordance with the terms of the Wahen Investments Subscription Agreement, be and are hereby approved, confirmed and ratified; and

(b) any one or two Directors be and is/are hereby authorized on behalf of the Company to take all steps necessary, appropriate, desirable or expedient in his/their opinion to be in the interests of the Company and its shareholders as a whole to approve and implement and/or give effect to the Wahen Investments Subscription Agreement and the transactions contemplated thereunder, including, *inter alia*, (i) to exercise the powers of the Company to allot and issue the Wahen Investments Subscription Shares and Wahen Investments Subscription Warrants, such shares ranking *pari passu* in all respects with the shares of the Company in issue on the date of allotment and issue; (ii) to sign, seal, execute, perfect, deliver, submit and/or implement any documents, instruments and agreements in connection with or pursuant to the Wahen Investments Subscription Agreement; (iii) to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Wahen Investments Subscription Agreement); and (iv) to exercise all such powers and do all such necessary acts and things to give effect to and/or implement the transactions contemplated under the Wahen Investments Subscription Agreement PROVIDED THAT such further documents or agreements will be of administrative nature and ancillary to the implementation of the Wahen Investments Subscription Agreement."

7. "**THAT**

(a) the subscription agreement dated 27 March 2015 and entered into between the Company and Victory Stand Limited ("**Victory Stand**") (the "**Victory Stand Subscription Agreement**") (copy of which has been produced to the meeting marked "I" and signed by the chairman of the meeting for the purpose of identification), pursuant to which Victory Stand conditionally agrees to

subscribe for 1,300 million new shares (the "**Victory Stand Subscription Shares**") at the subscription price of HK$0.10 per share as well as the issuance of 1,300 million warrants (the "**Victory Stand Subscription Warrants**") to Victory Stand at no consideration on the terms and conditions set out in the warrant instrument (copy of which has been produced to the meeting marked "J" and signed by the chairman of the meeting for the purpose of identification) and all transactions contemplated thereunder, in accordance with the terms of the Victory Stand Subscription Agreement, be and are hereby approved, confirmed and ratified; and

(b) any one or two Directors be and is/are hereby authorized on behalf of the Company to take all steps necessary, appropriate, desirable or expedient in his/their opinion to be in the interests of the Company and its shareholders as a whole to approve and implement and/or give effect to the Victory Stand Subscription Agreement and the transactions contemplated thereunder, including, *inter alia*, (i) to exercise the powers of the Company to allot and issue the Victory Stand Subscription Shares and Victory Stand Subscription Warrants, such shares ranking *pari passu* in all respects with the shares of the Company in issue on the date of allotment and issue; (ii) to sign, seal, execute, perfect, deliver, submit and/or implement any documents, instruments and agreements in connection with or pursuant to the Victory Stand Subscription Agreement; (iii) to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Victory Stand Subscription Agreement); and (iv) to exercise all such powers and do all such necessary acts and things to give effect to and/or implement the transactions contemplated under the Victory Stand Subscription Agreement PROVIDED THAT such further documents or agreements will be of administrative nature and ancillary to the implementation of the Victory Stand Subscription Agreement."

8. "**THAT**

(a) subject to the Executive Director of the Corporate Finance Division of the Securities and Futures Commission, or any of his delegates giving consent (the "**Consent**") as special deal under Note 5 to Rule 25 of The Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"), and the satisfaction of all conditions attached to such Consent, the settlement to creditors, who are also shareholders of the Company under the scheme of arrangement of the Company be and is hereby approved as special deal; and

(b) any one or two Directors be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/them PROVIDED THAT such further documents or agreements will be incidental to, ancillary to or in connection with the matters contemplated in and for the completion of the Consent."

9. "**THAT**

(a) the terms of the application for a waiver granted or to be granted by the Securities and Futures Commission of Hong Kong to Guangdong Zhenrong Energy Co., Ltd ("**GZE**") together with parties acting in concert with any of them pursuant to Note 1 of the Notes on Dispensation from Rule 26 of the Takeovers Code in respect of the waiver of the obligations of GZE and parties acting in concert with any of them to make a mandatory offer for all the issued shares not already owned or agreed to be acquired by GZE and the parties acting in concert (the "**Whitewash Waiver**") be and is hereby approved;

(b) any one or two Directors be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/them PROVIDED THAT such further documents or agreements will be incidental to, ancillary to or in connection with the matters contemplated in and for the completion of the Whitewash Waiver."

10. "**THAT**

(a) conditional upon the passing of the ordinary resolutions nos. 1, 2, 3, 4, 5, 6, 7, 8 and 9 as set out in the notice of special general meeting of the Company dated 29 May 2015, the authorised share capital of the Company be and is hereby increased from HK$150,000,000 divided into 14,445,000,000 ordinary shares of HK$0.01 each (each an "**Ordinary Share**") and 555,000,000 non-voting convertible redeemable preferred shares (each a "**Preferred Share**") of HK$0.01 each in the share capital of the Company to HK$805,550,000 divided into 80,000,000,000 Ordinary Shares and 555,000,000 Preferred Shares by the creation of an additional 65,555,000,000 Ordinary Shares (the "**Proposed Increase in Authorised Share Capital**"); and

(b) any one or two Directors be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/them PROVIDED THAT such further documents or agreements will be incidental to, ancillary to or in connection with the matters contemplated in and for the completion of the Proposed Increase in Authorised Share Capital."

11. "**THAT** the allotment and issue of 1,926,810,834 new Ordinary Shares at HK$0.10 per Ordinary Share to the holders of Existing Notes (as defined in the Circular) under and pursuant to the Creditors' Scheme (as defined in the Circular) be and is hereby approved, confirmed and ratified."

12. "**THAT** the issue of warrants by the Company to FELS Offshore Pte. Ltd. ("**FELS Warrants**") for the subscription of 9.9% of the total issued share capital of the Company after completion of the Debt Restructuring (as defined in the Circular) pursuant to the Management Services Agreement (as defined in the Circular) at the initial subscription price of HK$0.12 per Ordinary Share be and is hereby approved, confirmed and ratified."

13. "**THAT**

    (a) conditional on the passing of the ordinary resolutions numbers 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 11 and 12 as set out in the notice of special general meeting of the Company dated 29 May 2015, the exercise by the Directors of all powers of the Company to allot, issue and deal with the Shipyard Termination Shares, the Assumption Consideration Shares, the Offer Shares, the Open Offer Warrants, the Wahen Investments Subscription Shares, the Victory Stand Subscription Shares, the Wahen Investments Subscription Warrants, the Victory Stand Subscription Warrants and new Ordinary Shares to be issued upon the exercise of the aforesaid warrants and the FELS Warrants (collectively with the aforesaid warrants, the "**Warrants**") (the "**Specific Mandate**"), which might require the exercise of such powers, at an issue price of HK$0.10 each per Ordinary Share and at an exercise price of HK$0.12 (subject to adjustments) per Warrant be and is hereby approved;

    (b) any one or two Directors be and are hereby authorised to make or grant offers and agreements in relation to the Specific Mandate."

14. "**THAT** all decisions, steps and actions taken or procured to be taken on behalf of the Company and/or the Group (as defined in the Circular) at the behest of the board of Directors or any of the Directors (whether acting severally or jointly) in relation to (i) the Debt Restructuring (as defined in the Circular); (ii) the Resumption Proposal (as defined in the Circular); (iii) the Remaining Indebtedness Arrangements (as defined in the Circular); and (iv) the Debt Rescheduling Agreements (as defined in the Circular) and all ancillary transactions relating to any of the same, be hereby unconditionally and irrevocably approved, confirmed and ratified."

As special business, to consider and, if thought fit, pass with or without modifications the following resolution as a special resolution of the Company:

SPECIAL RESOLUTION

15. "**THAT** a new set of Bye-Laws which consolidates all the amendments to the Bye-Laws in the past and proposed amendments referred to in Appendix V of the Circular (a copy of which has been marked "K" and produced to this meeting and signed by the chairman of the meeting for the purpose of identification), be and is hereby adopted as the new Bye-Laws of the Company in substitution for and to the exclusion of the existing Bye-Laws of the Company with immediate effect."

By Order of the Board
Titan Petrochemicals Group Limited
Zhao Xu Guang
Chairman and Chief Executive

Hong Kong, 29 May 2015

* *for identification purpose only*

Notes:

1. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.

3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority shall be delivered to the Company's principal place of business at 4902, 49/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting.

4. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within 12 months from such date.

5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. Where there are joint holders of any shares any one of such joint holder may vote, either in person or by proxy in respect of such shares as if he/she were solely entitled thereto; but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.