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Titan Petrochemicals Group Limited

(Provisional Liquidators appointed)

(Incorporated in Bermuda with limited liability)

(Stock Code: 1192)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

Shareholders of Titan Petrochemicals Group Limited (the “Company” or “Titan”, together with its subsidiaries, collectively the “Group”) and potential investors are advised to read this announcement in conjunction with the announcement of the audited annual results of the Group for the year ended 31 December 2013 published by the Company on the same day.

CHAIRMAN’S STATEMENT

During the six months ended 30 June 2013, the board of directors (the “Board”) of Titan continued to encounter unprecedented difficulties and challenges. Owing to the management’s hasty business expansion in the past, it had led to a surge in debts for the Company. With a tightened capital funding situation, a private investor was introduced as holder of preference shares and due to the Group’s failure to meet the redemption request of the investor, legal actions were initiated against the Group which had a chain effect on the financial position of the Group since last June. The misery caused by the severe financial situation sparked a series of further legal actions against the Group, whereby various valuable assets of the Group, including the storage assets owned by the Group were liquidated. The businesses of the Group were suspended one after another, with aborted source of revenue, and led to further litigations and default claims. Augmented by the rapid increase in legal charges and financing costs, the Group was eventually under a tremendous liquidity pressure.

In July last year, the newly appointed directors and management successfully introduced Guangdong Zhenrong Energy Co., Ltd. (“GZE”), the “white knight”, to seek to restructure the business and indebtedness of the Group. Significant steps have since then been taken by the Group to solve various outstanding problems and difficulties. GZE provided its support to the Group by, among other things, purchasing the storage assets in the PRC and acquiring all the rights, interests and obligations under the agreement for the disposal of the equity interest in Titan Quanzhou Shipyard Co. Ltd. from Grand China Logistics Holding (Group) Company Limited. Furthermore, to meet the Group’s immediate capital needs, GZE agreed to make available an aggregate of HK\$62,240,000 to the Company from time to time according to the requirements of the Company (subject to certain conditions). The Group also announced a series of restructuring plans under the assistance of GZE, to help the Group getting out from its difficulties.

On the other hand, the newly appointed directors and management had actively optimised the internal management system of the Group, and explored the shipyard business development plans proactively with its partners, hoping to lay a good foundation for the future business development and long-term benefits of the Group. During the period under review, the Group entered into convertible bonds subscription agreements with three strategic investors (which are subject to certain conditions including without limitation the discharge of the winding up petition) for the Group’s strategic deployment purposes and the working capital funding for its long-term business development, thereby enabling the Group to move forward in its restructuring and resumption of trading processes.

OUTLOOK

GZE’s investment brought silver-lining to the restructuring of Titan and its resumption of trading. Despite the many challenges and obstacles ahead, under the leadership of the new management team, the Group will continue to take active measures to seek to resolve various litigations in a proper manner. For restructuring, the Group seeks to formulate an optimal scheme taking all the stakeholders’ interests into account, in order to obtain the acceptance and approval from the shareholders and creditors. For business, the Group will expand into the marine engineering equipment manufacturing sector and other energy related business areas, and will proceed with such works in an orderly manner. We believe that as long as the support from the creditors and shareholders is obtained and the debt restructuring is completed, the finance, business and management of Titan will be back on track, provided that the trading of the Company’s ordinary shares on the Hong Kong Stock Exchange would also be resumed, thereby bringing actual benefits to our creditors, noteholders, shareholders, staff and other stakeholders.

Zhao Xu Guang
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the six months ended 30 June 2013, the Group's revenue from continuing operations was HK\$117 million, compared to HK\$815 million for the same period prior year. The loss before tax from continuing operations increased to HK\$5,023 million, compared to the loss of HK\$219 million in the same period of 2012. The loss for the period widened to HK\$5,147 million, mainly comprised of the impairment loss on amounts due from deconsolidated subsidiaries amounted to HK\$4,534 million and gain on deconsolidation of subsidiaries amounted to HK\$37 million.

In view of the Group's financial position, the Board does not recommend to declare any interim dividend for the first half of 2013.

Business Review

The Group has been a provider of logistics, transportation, distribution and marine services for petrochemical products in the Asia Pacific region and, in particular, in China. In addition, we have developed and provided management services for a multi-functional shiprepair and shipbuilding yard which is one of the largest of its kind in Asia.

Continuing Operations

Offshore Storage

The Group provided oil storage, transit and blending services in Asia on a year round basis. Revenue from this business segment for the period under review decreased by 94% to HK\$14 million compared to the prior year period. At the same time, the segment loss before interest, tax, depreciation and amortisation ("LBITDA") was HK\$190 million as compared to the segment earning before interest, tax, depreciation and amortisation ("EBITDA") of HK\$20 million in the same period prior year.

Transportation

The Group offered transportation services for oil and petrochemical products to customers in the Southeast Asian regions during the period under review. Owing to volatile oil price fluctuations and the uncertain market status, this business segment was suspended since 2012. The segment LBITDA amounted to HK\$8 million, as compared to HK\$71 million in the same period prior year.

Continuing Operations (Continued)

Supply of Oil Products and Provision of Bunker Refueling Services

The Group engaged in the supply of oil products and provision of bunker refueling services and revenue from this business segment decreased by 74% over the prior year period to HK\$103 million in the first half of 2013.

Discontinued Operations

Shipbuilding (Shipyard)

In December 2010, the Group entered into a sale and purchase agreement with Grand China Logistics Holding (Group) Company Limited (“Grand China Logistics”) (as amended and supplemented by further agreements dated 24 July 2011) (the “GCL Sale and Purchase Agreement”) for the disposal of its 95% equity interest in Titan Quanzhou Shipyard Co. Ltd. (“Titan Quanzhou Shipyard”) to Grand China Logistics for RMB1,866 million (equivalent to approximately HK\$2,175 million). This transaction, however, had not yet been completed as Grand China Logistics failed to comply with its payment obligations.

On 10 June 2013, the Company received a notification from Grand China Logistics informing the Company that it had entered into an agreement with Guangdong Zhenrong Energy Co., Ltd. (“GZE”) pursuant to which it transferred to GZE all of its interests, rights and obligations in respect of the GCL Sale and Purchase Agreement.

On 26 December 2013, 上海市第一中級人民法院 (Shanghai No. 1 Intermediate People’s Court) (the “Shanghai Intermediate Court”) approved the application by Grand China Logistics of the withdrawal of the claim initiated by Grand China Logistics against the Group, in relation to the GCL Sale and Purchase Agreement. Notwithstanding the discontinuation of the proceedings in the Shanghai Intermediate Court, any disposition of the assets of Titan Quanzhou Shipyard remain subject to, among other things, GZE’s rights and interests in the indebtedness (the “Indebtedness”) originally owed by Titan Quanzhou Shipyard to the Fuzhou branch of Shanghai Pudong Development Bank Co., Ltd. and the collateral and guarantee granted in respect of the Indebtedness (the “Securities”). Since Titan Quanzhou Shipyard had been in default on its payment obligations under the Indebtedness and the Securities are liable to be enforced by GZE.

Despite Grand China Logistics transferring all of its interests, rights and obligations in respect of the GCL Sale and Purchase Agreement, the payment obligations of this transaction has not been completed, this business continues to be classified as “discontinued operation”.

There was no revenue during the year under review, and segment LBITDA was HK\$27 million. Revenue and the segment LBITDA were HK\$13 million and HK\$134 million respectively in the same period of 2012.

Discontinued Operations (Continued)

Onshore Storage

As a result of the deconsolidation of Titan Group Investment Limited (“TGIL”) and its subsidiaries (the “TGIL Group”) during the year ended 31 December 2012, there was no operation in Onshore Storage segment in the first half of 2013. Revenue and the segment LBITDA were HK\$77 million and HK\$985 million respectively in the first half of 2012.

Deconsolidation of Subsidiaries

Titan Resources Management (S) Pte. Ltd. and Titan Bunkering Pte. Ltd. were put into voluntary liquidation on 6 June 2013 and Titan Ocean Pte Ltd was ordered to be wound up by the High Court of the Republic of Singapore on 28 June 2013. Accordingly, the Group had deconsolidated these subsidiaries, as a result of which the amounts due from the deconsolidated subsidiaries were considered to be non-recoverable and thus were fully impaired as these subsidiaries were put into the liquidation during the period ended 30 June 2013.

Liquidity, Financial Resources, Charges on Assets and Gearing

As at 30 June 2013, the Group net liabilities amounted to HK\$8,326 million, compared to HK\$3,139 million as at 31 December 2012.

The Group financed its operations mainly through internally generated resources, term loans and trade finance facilities provided by banks in Hong Kong and Mainland China. As at 30 June 2013,

a) The Group had:

- Cash and bank balances of HK\$102 million (31 December 2012: HK\$124 million) of which HK\$0.1 million (31 December 2012: HK\$1 million) was from the discontinued operation in respect of shipbuilding segment; pledged deposits and restricted cash of HK\$538 million (31 December 2012: HK\$604 million) were from continuing operations. These balances were comprised of:
 - an equivalent of HK\$125 million (31 December 2012: HK\$136 million) denominated in US dollars
 - HK\$1 million denominated in Singapore dollars as at 31 December 2012
 - an equivalent of HK\$457 million (31 December 2012: HK\$529 million) of which HK\$0.1 million (31 December 2012: HK\$1 million) was from the discontinued operation, denominated in RMB
 - HK\$1 million (31 December 2012: HK\$4 million) in Hong Kong dollars
 - an equivalent of HK\$57 million (31 December 2012: HK\$58 million) denominated in EURO

Liquidity, Financial Resources, Charges on Assets and Gearing (Continued)

- Interest-bearing bank and other loans of HK\$2,650 million (31 December 2012: HK\$2,625 million) of which HK\$2,495 million (31 December 2012: HK\$2,440 million) was from the discontinued operation of shipbuilding segment. Floating rate loans denominated in US dollars amounted to HK\$6 million (31 December 2012: HK\$6 million). Group bank and other loans having maturities within one year amounted to HK\$2,650 million (31 December 2012: HK\$2,568 million) of which HK\$2,495 million (31 December 2012: HK\$2,383 million) related to discontinued operation in respect of shipbuilding segment
 - Loan from the immediate holding company of HK\$9.7 million as at 31 December 2012 but was repaid in 2013
- b) The Group's banking and other facilities, including those classified as held for sale were secured or guaranteed by:
- Construction in progress with an aggregate carrying value of HK\$825 million (31 December 2012: HK\$811 million)
 - Bank balances and deposits of HK\$511 million (31 December 2012: HK\$578 million)
 - Machinery with an aggregate net carrying value of HK\$91 million (31 December 2012: HK\$98 million)
 - Buildings with an aggregate net carrying value of HK\$455 million (31 December 2012: HK\$454 million)
 - Prepaid land/seabed lease payments with an aggregate net carrying value of HK\$326 million (31 December 2012: HK\$330 million)
 - Corporate guarantees executed by the Company and its subsidiaries
 - Corporate guarantees executed by the subsidiaries of the ultimate holding company
 - Personal guarantees executed by a related party and a former director of the Company
 - Certain Company shares owned by related parties of the Company
- c) The fixed rate guaranteed senior notes (the "Senior Notes Due 2012") of HK\$927 million (31 December 2012: HK\$892 million), the guaranteed senior convertible notes (the "Convertible Notes Due 2015") of HK\$479 million (31 December 2012: HK\$454 million) and the guaranteed senior payment-in-kind notes (the "PIK Notes Due 2015") of HK\$96 million (31 December 2012: HK\$92 million) were secured by the shares of certain subsidiaries.

Liquidity, Financial Resources, Charges on Assets and Gearing (Continued)

- d) The Group, including those assets of a disposal group classified as held for sale and liabilities directly associated with the assets classified as held for sale, had:
- Current assets of HK\$3,246 million (31 December 2012: HK\$3,443 million) and total assets of HK\$3,277 million (31 December 2012: HK\$3,472 million) of which HK\$2,446 million (31 December 2012: HK\$2,423 million) was from the discontinued operation of shipbuilding segment
 - Total bank and other loans of HK\$2,650 million (31 December 2012: HK\$2,625 million) of which HK\$2,495 million (31 December 2012: HK\$2,440 million) was from the discontinued operation in respect of shipbuilding segment
 - The Senior Notes Due 2012 of HK\$927 million (31 December 2012: HK\$892 million)
 - The Convertible Notes Due 2015 of HK\$479 million (31 December 2012: HK\$454 million)
 - The PIK Notes Due 2015 of HK\$96 million (31 December 2012: HK\$92 million)
 - Convertible preferred shares issued by the Company (the “Titan preferred shares”) with a liability portion of HK\$399 million (31 December 2012: HK\$392 million)
 - Notes payable (the “K-Line Notes Due 2013”) was classified as a current liability to the extent of the liability portion in the amount of HK\$225 million (31 December 2012: HK\$46 million)
 - Loan from the immediate holding company of HK\$9.7 million as at 31 December 2012 but was repaid in 2013
- e) The Group’s current ratio was 0.28 (31 December 2012: 0.52). The gearing of the Group, calculated as the total bank loans, the Senior Notes Due 2012, the Convertible Notes Due 2015, the K-Line Notes Due 2013, the PIK Notes Due 2015 and the loan from the immediate holding company to total assets, increased to 1.34 (31 December 2012: 1.19).
- f) The Group operated in Hong Kong, Singapore and Mainland China and primarily used US dollars for its businesses in Singapore, Renminbi for the business in Mainland China and Hong Kong dollars in Hong Kong for both income and expenses. Therefore, the Group’s foreign currency exposures are minimal in view of the natural hedge between costs and revenues. The Group has not used any financial instruments for speculative purposes.

Employees and Remuneration Policies

As at 30 June 2013, the Group had 187 employees (31 December 2012: 510) of which 162 employees (31 December 2012: 399) worked in Mainland China, and 23 employees and 2 employees (31 December 2012: 22 and 89) were based in Hong Kong and Singapore, respectively. Included in those working in Mainland China for the Group, 156 employees (31 December 2012: 388) were from Titan Quanzhou Shipyard. Remuneration packages including basic salaries, bonuses and benefits-in-kind, were structured by reference to market terms and individual merit and are reviewed on an annual basis based on performance appraisals. No share options were granted to employees of the Group during the six months ended 30 June 2013.

Litigation

a) Bermuda Proceedings

On 4 July 2012, the Company received from Saturn Petrochemical Holdings Limited (“SPHL”) a notice to redeem all of the outstanding Titan preferred shares held by it at a redemption amount equal to the notional value of the Titan preferred shares (being HK\$310.8 million) together with any accrued and unpaid dividends. Redemption monies were payable 30 business days after the date of the redemption notice.

SPHL filed a petition for the winding-up of the Company on 9 July 2012 (Bermuda time) (the “SPHL Petition”) and made an application seeking the appointment of Joint Provisional Liquidators on 27 August 2012 (Bermuda time) with the Supreme Court of Bermuda (the “Bermuda Court”). The SPHL Petition, which remained undismissed or unstayed for a period of 60 consecutive days (i.e. on or before 6 September 2012 (Bermuda time)), caused an event of default to occur under the PIK Notes Due 2015 and the Convertible Notes Due 2015.

The SPHL Petition was subsequently struck out by the Bermuda Court, and KTL Camden Inc. (“Camden”) was substituted as the petitioner in place of SPHL upon its application to the Bermuda Court. Camden claimed that Titan Storage Limited, 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 pursuant to a deed of guarantee issued by the Company in favour of Camden.

On 16 August 2013, the Bermuda Court, upon the application by Camden, ordered an injunction restraining the Company from (i) disposing of any property, including things in action, belonging to the Company; or (ii) consenting to or approving the disposal of property, including things in action, belonging to any subsidiary (as defined in section 86 of the Companies Act 1981) of the Company, without the approval of the Bermuda Court or without 7 days’ written notice of the same to Camden.

Litigation (Continued)

a) *Bermuda Proceedings (Continued)*

On 18 October 2013 (Bermuda time), the Bermuda Court ordered the appointment of two joint provisional liquidators (“JPLs”) to the Company with specified powers as set out in the announcement of the Company dated 22 October 2013.

On 14 February 2014 (Bermuda time), the Bermuda Court ordered the variation of the order made by the Bermuda Court on 18 October 2013 (Bermuda time) in relation to the appointment of the JPLs such that the powers of the JPLs be varied as disclosed in the announcement of the Company dated 18 February 2014.

On 7 March 2014 (Bermuda time), the Bermuda Court ordered, among other things, that (i) the Company be permitted to enter into an unsecured loan agreement with Fame Dragon International Investment Limited (“Fame Dragon”) in relation to the provision of an unsecured loan by Fame Dragon to the Company and (ii) the winding up petition by Camden was adjourned to 17 April 2014 (Bermuda time).

On 17 April 2014 (Bermuda time), the winding up petition by Camden was further adjourned to 16 May 2014 (Bermuda time).

b) *British Virgin Islands (“BVI”) Proceedings*

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

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

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

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

The Company, TGIL, TOSIL and SSL have been in negotiations on the BVI proceedings, however, up to the date of this announcement, there is no assurance that a settlement on the BVI proceedings will be reached.

Litigation (Continued)

c) Hong Kong Proceedings

On 19 July 2012, the Company received from SSL a writ of summons (the “Writ”) issued in the Court of First Instance in the High Court of the Hong Kong Special Administrative Region (the “Hong Kong Court”) with an indorsement of claim against the Company and other parties including its wholly-owned subsidiary, TOSIL, and two directors of the Company. SSL alleged in the Writ among other things (a) breach of the amended and restated investor rights agreement (the “IRA”) in respect of TGIL dated 17 July 2009; and (b) misrepresentations regarding the financial position of TGIL, and its subsidiaries. SSL seeks, amongst other remedies, specific performance of the IRA, injunctive relief, declaratory relief, an indemnity, damages, interest and costs.

The Hong Kong Court subsequently, amongst other things, stayed the proceedings for a period of 90 days and the stay was 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, TOSIL and SSL have been in negotiations with a view to reaching a settlement relating to the Writ, however, up to the date of this announcement, there is no assurance that a settlement on the Writ will be reached.

d) People’s Republic of China (“PRC”) Proceedings

On 30 May 2012, 泰山石化 (福建) 有限公司 (Titan Petrochemicals (Fujian) Ltd*) (“Titan Fujian”), a wholly-owned subsidiary of the Company, received a summons issued by the Shanghai Intermediate Court with Grand China Logistics as plaintiff and the Company, Titan Fujian and Titan TQSL Holding Company Ltd (泰山泉州船厂控股有限公司) (“Titan TQSL”), another wholly-owned subsidiary of the Company, as defendants. Grand China Logistics sought an order for, amongst other things, the termination of the GCL Sale and Purchase Agreement and repayment to Grand China Logistics of the part payments in the aggregate amount of RMB740,000,000 together with accrued interest.

Litigation (Continued)

d) People's Republic of China ("PRC") Proceedings (Continued)

On 23 August 2012, Titan Fujian 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 GCL 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 GCL Sale and Purchase Agreement (the "Assignment") and, on the basis that none of the terms of the GCL Sale and Purchase Agreement would be changed as a result of the Assignment, the Company had no objection to the Assignment on 19 June 2013.

On 23 December 2013, the Shanghai Intermediate Court 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 has transferred all its interests, rights and obligations in respect of the GCL Sale and Purchase Agreement to GZE. On 26 December 2013, the Shanghai Intermediate Court approved the application by Grand China Logistics of the withdrawal of the claim initiated by Grand China Logistics against the Company, Titan TQSL and Titan Fujian in relation to the GCL Sale and Purchase Agreement.

Proposed Debt Restructuring

On 25 November 2013, the Company announced, among other things, the following key indicative terms of a debt restructuring proposal:

- a) the debt restructuring proposal will be implemented by way of a creditors' scheme of arrangement (the "Creditors' Scheme") and it is proposed that the following claims ("the Scheme Claims") will be recognised under the scheme:
 - i) all indebtedness arising out of the Senior Notes Due 2012, the PIK Notes Due 2015 and the Convertible Notes Due 2015 (collectively, the "Existing Notes") (including principal and accrued interest); and
 - ii) all liabilities arising out of the guaranteed notes issued by Titan Shipyard Holdings Ltd., recognised trade payables owed by the Company and recognised claims arising from amounts owed by subsidiaries within the Group which have been guaranteed by the Company;
- b) pursuant to the Creditors' Scheme, holders of Scheme Claims will agree to settle their claims in exchange for:
 - i) in the case of the holders of the Existing Notes, 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 to be issued by the Company under the Open Offer (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;
 - ii) in the case of the holders of the unsecured claims, for every HK\$1.00 of the amount of their claims, HK\$0.10 in cash;
- c) 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;
- d) the completion of the Creditors' Scheme will be conditional upon certain conditions;

- e) the Company will seek agreement with GZE, whereby the GCL Sale and Purchase Agreement in relation to Titan Quanzhou Shipyard is proposed to be terminated and the amount of RMB740 million, being part payment of the purchase price under the GCL Sale and Purchase Agreement is proposed to be applied, towards a subscription by GZE for new Shares in the Company (the “Shipyard Settlement”);
- f) the cash portion of the Creditors’ Scheme will be funded by an open offer (the “Open Offer”) of convertible bonds in the principal amount of HK\$0.05 for every one existing share held by the qualifying shareholders (the terms of which are subject to finalisation) and the subscriptions of convertible bonds (the “CB Subscriptions”) by New Berkeley Corporation, CGL Resources Ltd. and Wahan Investments Limited on substantially the same terms as the Open Offer (which are also subject to finalisation);
- g) the Company, SPHL and GZE propose that the redemption notice in respect of the Titan preferred shares will be withdrawn and the Titan preferred shares will remain as part of the Company’s capital structure on existing terms; and
- h) the Creditors’ Scheme, the Open Offer, the CB Subscriptions and the Shipyard Settlement will be inter-conditional upon each other and will all be conditional upon approval for resumption of trading in the Company’s shares on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Suspension of trading and listing status

Trading in the ordinary shares of the Company had been suspended since 19 June 2012.

The Company has been placed in the second stage of delisting under Practice Note 17 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The second delisting stage will expire on 21 May 2014. At the end of the period, the Stock Exchange will determine whether to place the Company in the third stage of delisting. The Company is required to submit a viable resumption proposal to the Stock Exchange by 5 May 2014 to address the following:

- i) the Company must demonstrate 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Notes			
CONTINUING OPERATIONS			
Revenue	4	116,663	814,695
Cost of sales		<u>(143,717)</u>	<u>(904,086)</u>
Gross loss		(27,054)	(89,391)
Other revenue		3,093	30,949
Gain on deconsolidation of subsidiaries	8	36,786	–
General and administrative expenses		(248,114)	(67,735)
Finance costs	7	(77,760)	(92,706)
Impairment loss on amounts due from deconsolidated subsidiaries	8	(4,533,620)	–
Loss on derecognition of derivative financial instruments not qualifying as hedges		<u>(176,049)</u>	<u>–</u>
Loss before tax from continuing operations	10	(5,022,718)	(218,883)
Income tax credit/(expense)	11	<u>434</u>	<u>(1,703)</u>
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(5,022,284)	(220,586)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	6	<u>(124,818)</u>	<u>(1,247,404)</u>
LOSS FOR THE PERIOD		<u>(5,147,102)</u>	<u>(1,467,990)</u>
Loss for the period attributable to:			
Owners of the Company		(5,147,102)	(1,467,990)
Non-controlling interests		<u>–</u>	<u>–</u>
		<u>(5,147,102)</u>	<u>(1,467,990)</u>
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
13			
From continuing and discontinued operations			
Basic per share		(HK65.82 cents)	(HK18.77 cents)
Diluted per share		<u>(HK65.82 cents)</u>	<u>(HK18.77 cents)</u>
From continuing operations			
Basic per share		(HK64.22 cents)	(HK2.82 cents)
Diluted per share		<u>(HK64.22 cents)</u>	<u>(HK2.82 cents)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	<u>(5,147,102)</u>	<u>(1,467,990)</u>
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u>(36,772)</u>	<u>(1,487)</u>
Other comprehensive loss for the period, net of tax	<u>(36,772)</u>	<u>(1,487)</u>
Total comprehensive loss for the period	<u>(5,183,874)</u>	<u>(1,469,477)</u>
Total comprehensive loss attributable to:		
Owners of the Company	(5,183,874)	(1,469,477)
Non-controlling interests	<u>—</u>	<u>—</u>
	<u><u>(5,183,874)</u></u>	<u><u>(1,469,477)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		6,108	5,023
Prepaid land/seabed lease payments		24,508	24,361
Licenses		–	–
Total non-current assets		30,616	29,384
CURRENT ASSETS			
Bunker oil		1,870	–
Inventories		889	43,789
Accounts receivable	14	825	1,837
Prepayments, deposits and other receivables		157,379	247,089
Pledged deposits and restricted cash		537,439	604,489
Cash and cash equivalents		102,311	122,560
		800,713	1,019,764
Assets of a disposal group classified as held for sale	6	2,445,541	2,423,163
Total current assets		3,246,254	3,442,927
CURRENT LIABILITIES			
Interest-bearing bank loans		155,242	184,706
Accounts payable	15	351,189	402,475
Other payables and accruals	16	4,894,944	1,236,530
Fixed rate guaranteed senior notes	17	926,966	891,871
Guaranteed senior convertible notes	18	478,990	453,971
Guaranteed senior payment in-kind notes	19	96,156	92,236
Liability portion of convertible preferred shares	20	398,806	391,502
Notes payable	21	225,034	45,950
Tax payable		1,054	1,480
Amount due to the ultimate holding company		934,177	–
Loan from the immediate holding company		–	9,700
		8,462,558	3,710,421
Liabilities directly associated with the assets classified as held for sale	6	3,140,793	2,900,463
Total current liabilities		11,603,351	6,610,884
NET CURRENT LIABILITIES		(8,357,097)	(3,167,957)
TOTAL ASSETS LESS CURRENT LIABILITIES		(8,326,481)	(3,138,573)
Net liabilities		(8,326,481)	(3,138,573)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION **(CONTINUED)**

	30 June	31 December
	2013	2012
	(Unaudited)	(Audited)
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
DEFICIENCY IN ASSETS		
Deficiency attributable to owners		
of the Company		
Share capital	78,206	78,206
Deficits	<u>(8,404,687)</u>	<u>(3,216,779)</u>
Deficiency in assets	<u><u>(8,326,481)</u></u>	<u><u>(3,138,573)</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of Titan Petrochemicals Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the six-month period ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Loss of access to books and records of the Group

The directors of the Company (“Directors”) have used their best endeavors to locate all the financial and business records of the Group. The access to most of the books and records of its subsidiaries which operated in Singapore have not been able to be located as a consequence of the re-location of the operating office and servers, together with the resignation of key management and most of the former operating and accounting personnel have once left the Group. Compounding the difficulties in obtaining information is the fact that most of the Singapore subsidiaries were put into liquidation in 2013 and the records have since been under the control of Liquidator. As a result, the Directors have been unable to obtain sufficient information to satisfy themselves regarding the treatment of various transactions and balances of the Group for the year ended 31 December 2012 and for the period ended 30 June 2013.

1.1 GOING CONCERN BASIS

During the period ended 30 June 2013, the Group incurred losses of HK\$5,147,102,000 and, as of that date, the Group had net current liabilities and net liabilities of HK\$8,357,097,000 and HK\$8,326,481,000 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

i) *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, amongst 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.

1.1 GOING CONCERN BASIS (Continued)

a) Proceedings (Continued)

i) *Bermuda proceedings (Continued)*

On 18 October 2013 (Bermuda time), the Bermuda Court ordered the appointment of Mr. Gath 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 International Investment Limited (“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 16 May 2014 (Bermuda time), further details of which are set out in note 24(b).

ii) *British Virgin Islands (“BVI”) proceedings*

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

On 17 July 2012 (BVI time), the Eastern Caribbean Supreme Court (the “BVI court”) ordered (the “Order”) the liquidation of TGIL. This resulted to a loss of joint control over TGIL and its subsidiaries (collectively the “TGIL Group”), further details of which are set out in notes 2 and 24(c).

b) Debt restructuring

The directors have adopted the going concern basis in the preparation of the consolidated financial statements and have implemented measures in order to improve the working capital, liquidity and cash flow position of the Group.

The Company is in discussions with the Group’s creditors and potential creditors as well as Guangdong Zhenrong Energy Co., Ltd. (“GZE”), CGL Resources Ltd. (“CGL Resources”), New Berkeley Corporation (“New Berkeley”) and Wahan Investments Limited (“Wahan Investments”) (collectively, the “CB Subscribers”) to devise a debt restructuring proposal for the Group. Further details of which are set out in note 25(b).

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 statement.

2. DECONSOLIDATION OF A JOINTLY-CONTROLLED ENTITY

The joint control of the Company over the TGIL Group has been lost upon occurrence of the external restrictions and events and the results, assets and liabilities of the TGIL Group were therefore deconsolidated from the consolidated financial statements of the Group during the period ended 30 June 2012. Further details of the deconsolidation of a joint-controlled entity are set out in note 9. Details of companies in the TGIL Group are set out below.

Jointly-controlled entity

TGIL

TGIL subsidiaries

Forever Fortune Holdings Limited

Fujian Titan Petrochemical Storage Development Co., Ltd. (“FJ Titan”)

Guangzhou Nansha Titan Petrochemical Development Company Limited (“GZ Nansha”)

Quanzhou Titan Petrochemical Terminal Development Co., Ltd. (“QZ Titan”)

Sky Sharp Investments Limited

Titan Group Yangshan Investment Limited

Titan Group Yantai Investment Limited

Titan Investment Group Limited

Titan WP Storage Ltd.

Titan Group Nansha Investment Limited

TGIL associates

Guangzhou Xiaohu Petrochemical Terminal Co., Ltd

Yangshan Shen Gang International Oil Logistics Co., Ltd.

TGIL jointly-controlled entity

Yantai Titan Petrochemical Port Development Company Limited

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the Group's audited consolidated financial statements for the year ended 31 December 2012 except that the Group has adopted the following amended Hong Kong Financial Reporting Standards ("HKFRSs") and HKAS issued by the HKICPA which became effective for accounting periods beginning on or after 1 January 2013.

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transitional Guidance
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except for the amendments to HKAS 1, the application of these new HKFRSs has no material impact on the results and the financial position of the Group.

The nature of the impending changes in accounting policy on adoption of the amendments to HKAS 1 is described below.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

4. REVENUE

Revenue under continuing operations, represents gross income from offshore storage services, gross freight income from the provision of transportation 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 and onshore storage services are included under the revenue of discontinued operations as set out in note 6. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

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).

The joint control of the Company over the TGIL Group was lost during the period ended 30 June 2012 and, as a result, the Group discontinued its onshore storage operation during the period ended 30 June 2012, as set out in note 6(b).

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in the Company's Annual Report for the year ended 31 December 2012.

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.

The following table presents the unaudited segment information for the first six months of 2013 and 2012.

Six months ended 30 June 2013

	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	HK\$'000	Total HK\$'000	Shipbuilding HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment revenue							
– Revenue from external customers	14,058	–	102,605	116,663	–	–	116,663
Segment results	(190,428)	(7,952)	(7,054)	(205,434)	(51,893)	–	(257,327)
Adjusted for:							
– Interest income	–	–	–	–	2	2,350	2,352
– Other revenue	–	–	–	–	–	471	471
– Other expenses	–	–	–	–	–	(69,462)	(69,462)
	(190,428)	(7,952)	(7,054)	(205,434)	(51,891)	(66,641)	(323,966)
Add: Depreciation and amortisation	–	–	209	209	25,350	798	26,357
Operating loss before interest, tax, depreciation and amortisation ("LBITDA")	(190,428)	(7,952)	(6,845)	(205,225)	(26,541)	(65,843)	(297,609)
Gain on deconsolidation of subsidiaries	–	–	–	–	–	36,786	36,786
Impairment loss on amounts due from deconsolidated subsidiaries	–	–	–	–	–	(4,533,620)	(4,533,620)
Loss on derecognition of derivative financial instruments not qualifying as hedges	–	–	–	–	–	(176,049)	(176,049)
LBITDA	(190,428)	(7,952)	(6,845)	(205,225)	(26,541)	(4,738,726)	(4,970,492)
Depreciation and amortisation	–	–	(209)	(209)	(25,350)	(798)	(26,357)
Finance costs	–	–	–	–	(74,162)	(77,760)	(151,922)
Loss before tax	(190,428)	(7,952)	(7,054)	(205,434)	(126,053)	(4,817,284)	(5,148,771)

5. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2012

	Provision of logistic services		Supply of oil products and provision of bunker refueling services	Continuing operations			Discontinued operations	Unallocated and eliminations	Consolidated
	Offshore storage HK\$'000	Transportation HK\$'000	HK\$'000	Total HK\$'000	Shipbuilding HK\$'000	Onshore storage HK\$'000	Total HK\$'000	HK\$'000	HK\$'000
Segment revenue									
– Revenue from external customers	234,700	187,826	392,169	814,695	13,039	77,360	90,399	–	905,094
– Intersegment revenue	–	–	103,503	103,503	–	–	–	(103,503)*	–
Total	234,700	187,826	495,672	918,198	13,039	77,360	90,399	(103,503)	905,094
Segment results	(15,653)	(76,040)	(1,027)	(92,720)	(138,742)	(57,460)	(196,202)	–	(288,922)
Adjusted for:									
– Interest income	–	–	–	–	219	657	876	14,690	15,566
– Other revenue	–	–	–	–	–	–	–	269	269
– Other expenses	–	–	–	–	–	–	–	(48,416)	(48,416)
Share of profits of associates	–	–	–	–	–	8,538	8,538	–	8,538
	(15,653)	(76,040)	(1,027)	(92,720)	(138,523)	(48,265)	(186,788)	(33,457)	(312,965)
Add: Depreciation and amortisation	35,815	5,530	222	41,567	4,174	40,861	45,035	4,699	91,301
Operating earnings before interest, tax, depreciation and amortisation (“EBITDA”)/(LBITDA)	20,162	(70,510)	(805)	(51,153)	(134,349)	(7,404)	(141,753)	(28,758)	(221,664)
Gain on deconsolidation of a jointly-controlled entity	–	–	–	–	–	189,524	189,524	–	189,524
Loss on early redemption – TGIL preferred shares	–	–	–	–	–	(1,013,937)	(1,013,937)	–	(1,013,937)
– TGIL Notes Due 2014	–	–	–	–	–	(152,985)	(152,985)	–	(152,985)
EBITDA/(LBITDA)	20,162	(70,510)	(805)	(51,153)	(134,349)	(984,802)	(1,119,151)	(28,758)	(1,199,062)
Depreciation and amortisation	(35,815)	(5,530)	(222)	(41,567)	(4,174)	(40,861)	(45,035)	(4,699)	(91,301)
Finance costs	–	–	–	–	(4,346)	(78,660)	(83,006)	(92,706)	(175,712)
Loss before tax	(15,653)	(76,040)	(1,027)	(92,720)	(142,869)	(1,104,323)	(1,247,192)	(126,163)	(1,466,075)

* Intersegment revenue is eliminated on consolidation

6. DISCONTINUED OPERATIONS

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”) 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\$2,300,783,000) or a maximum reduced consideration of RMB1,465,670,000 (equivalent to approximately HK\$1,807,495,000) 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\$2,054,139,000).

6. DISCONTINUED OPERATIONS (Continued)

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

While the requisite regulatory and shareholder 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, amongst other things the termination of the sale and purchase agreement and repayment of an aggregate amount of RMB740,000,000 (equivalent to approximately HK\$934,177,000) 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 the proceedings. Further details are set out in note 24(e).

As at 30 June 2013 and 31 December 2012, 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 periods ended 30 June 2013 and 2012 are included in the consolidated statement of profit and loss as “Loss for the period from discontinued operations”.

b) Onshore storage – TGIL Group

As disclosed in note 2 of this announcement, the joint control of the Company over the TGIL Group had been lost upon occurrence of the external restrictions and events. The results, assets and liabilities of the TGIL Group were, therefore, deconsolidated from the consolidated financial statements of the Group during the period ended 30 June 2012. The results of the TGIL Group for the period ended 30 June 2012 is included in the consolidated statement of profit or loss as “Loss for the period from discontinued operations” for the period ended 30 June 2012 and details of the carrying amount of the deconsolidated assets and liabilities of the TGIL Group are disclosed in note 9.

6. DISCONTINUED OPERATIONS (Continued)

c) Financial information on Titan Quanzhou Shipyard and the TGIL Group

The combined results of Titan Quanzhou Shipyard and the TGIL Group for the periods are presented below.

	<i>Notes</i>	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue	4	–	90,399
Cost of sales		–	(172,982)
Gross loss		–	(82,583)
Other revenue		553	3,086
General and administrative expenses		(52,444)	(115,829)
Finance costs	7	(74,162)	(83,006)
Share of profits of associates		–	8,538
Loss on early redemption			
– TGIL preferred shares		–	(1,013,937)
– TGIL Notes Due 2014		–	(152,985)
Gain on deconsolidation of a jointly-controlled entity	9	–	189,524
Loss before tax		(126,053)	(1,247,192)
Income tax credit/(expense)		1,235	(212)
Loss for the period from discontinued operations		(124,818)	(1,247,404)

6. DISCONTINUED OPERATIONS (Continued)

c) Financial information on Titan Quanzhou Shipyard and the TGIL Group (Continued)

The major classes of assets and liabilities of Titan Quanzhou Shipyard classified as held for sale as at 30 June 2013 and 31 December 2012 are as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Assets		
Property, plant and equipment	2,047,549	2,020,624
Prepaid land/seabed lease payments	301,619	306,019
Inventories	44,197	43,688
Prepayments, deposits and other receivables	52,057	51,625
Cash and cash equivalents	119	1,207
Assets of a disposal group classified as held for sale	2,445,541	2,423,163
Liabilities		
Interest-bearing bank and other loans	2,495,006	2,439,924
Accounts payable	90,007	88,335
Other payables and accruals	393,204	313,546
Amounts due to deconsolidated subsidiaries	105,153	–
Deferred tax liabilities	57,423	58,658
Liabilities directly associated with the assets classified as held for sale	3,140,793	2,900,463
Net liabilities directly associated with the disposal group	(695,252)	(477,300)

The net cash flows incurred by Titan Quanzhou Shipyard and the TGIL Group are summarised as follows:

	Six months ended 30 June 2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Net cash inflow/(outflow) from:		
Operating activities	(2,874)	70,214
Investing activities	–	(228,463)
Financing activities	12,793	37,227
Net cash inflow/(outflow)	9,919	(121,022)

7. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank loans wholly repayable within five years	42,770	101,133
Bank loans not wholly repayable within five years	33,868	78,078
Loan from the immediate holding company	11	–
Other loans	900	–
Fixed rate guaranteed senior notes (“Senior Notes Due 2012”)	35,095	16,192
Guaranteed senior convertible notes (“Convertible Notes Due 2015”)	25,019	28,076
Guaranteed senior payment-in-kind notes (“PIK Notes Due 2015”)	3,920	4,115
Notes payable (“K-Line Notes Due 2013”)	3,035	3,108
TGIL Notes Due 2014	–	8,693
Dividends on convertible preferred shares	7,304	37,316
Total interest expenses	151,922	276,711
Less: Interest capitalised	–	(100,999)
	151,922	175,712
Attributable to continuing operations	77,760	92,706
Attributable to discontinued operations (<i>note 6(c)</i>)	74,162	83,006
	151,922	175,712

8. DECONSOLIDATION OF SUBSIDIARIES

During the period ended 30 June 2013, three 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).

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

	Six months ended 30 June 2013 (Unaudited) HK\$'000
Accounts receivable	77
Prepayments, deposits and other receivables	1,847
Amounts due from fellow subsidiaries	4,720,741
Amounts due from deconsolidated fellow subsidiaries	158,227
Cash and cash equivalents	630
Accounts payable	(132,997)
Amount due to the intermediate holding company	(113,064)
Amounts due to fellow subsidiaries	(4,471,686)
Amounts due to deconsolidated fellow subsidiaries	(171,688)
Other payables and accruals	(24,757)
Net liabilities of deconsolidated subsidiaries attributable to the Group	(32,670)
Release of exchange fluctuation reserve	(4,116)
Gain on deconsolidation of subsidiaries	(36,786)
Impairment loss on amounts due from deconsolidated subsidiaries	4,533,620
	4,496,834

b) Net cash outflow arising on deconsolidation of subsidiaries

Cash and cash equivalents of deconsolidated subsidiaries	(630)
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c) Amounts due to deconsolidated subsidiaries were included in the consolidated statement of financial position as follows:

Other payables and accruals	4,593,899
Liabilities directly associated with the assets classified as held for sale	105,153
	4,699,052

9. DECONSOLIDATION OF A JOINTLY-CONTROLLED ENTITY

a) Gain on deconsolidation of a jointly-controlled entity

Six months ended
30 June 2012
(Unaudited)
HK\$'000

Property, plant and equipment	2,751,286
Prepaid land lease payments	425,068
Goodwill	414,955
Interests in associates	313,553
Deposits for construction in progress	4,044
Inventories	1,968
Accounts receivable	28,802
Prepayments, deposits and other receivables	22,852
Amounts due from holding companies	171,454
Tax receivable	28
Pledged deposits and restricted cash	15,886
Cash and cash equivalents	35,386
Interest-bearing bank loans	(1,846,772)
Accounts payable	(657)
Amounts due to holding companies	(164,249)
Other payables and accruals	(288,978)
Liability portion of convertible preferred shares	(1,426,535)
Liability portion of convertible unsecured notes	(410,484)
Deferred tax liabilities	(37,714)

Net assets of the TGIL Group attributable to the Group	9,893
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Release of exchange fluctuation reserve	234,524
Gain on redemption of convertible unsecured notes held by the Group	119,074
Impairment loss on amounts due from a deconsolidated jointly-controlled entity	(154,181)
Net assets of the TGIL Group attributable to the Group	(9,893)

Gain on deconsolidation of a jointly-controlled entity	189,524
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b) Net cash outflow arising on deconsolidation of a jointly-controlled entity

Cash and cash equivalents of a deconsolidated jointly-controlled entity	(35,386)
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10. LOSS BEFORE TAX

The Group's 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 operations.

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	102,679	473,613
Cost of services rendered	41,038	603,455
Depreciation and amortisation	26,357	91,301
Interest income	(2,352)	(15,566)

11. INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current:		
Charge for the period – overseas	–	3,544
Overprovision in prior periods – overseas	(434)	(1,841)
Total tax (credit)/expense for the period, continuing operations	(434)	1,703

No share of tax attributable to associates (period ended 30 June 2012: HK\$5,000) is included in “Loss for the period from discontinued operations” presented on the unaudited consolidated statement of profit or loss.

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:

	2013	2012
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 periods ended 30 June 2013 and 2012.

11. INCOME TAX CREDIT/(EXPENSE)(Continued)

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 are 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 for the periods ended 30 June 2013 and 2012.

Mainland China

Under the Law of the People's Republic of China (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.

12. DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend for the period ended 30 June 2013 (period ended 30 June 2012: Nil).

13. BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

From continuing and discontinued operations

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company	<u>5,147,102</u>	<u>1,467,990</u>
	Six months ended 30 June	
	2013	2012
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>7,820,554,682</u>	<u>7,820,554,682</u>

Diluted loss per share for the periods ended 30 June 2013 and 2012 were the same as basic loss per share.

No adjustments have been made to the basic loss per share amounts presented for the periods ended 30 June 2013 and 2012 as the share options, the Convertible Notes Due 2015, warrants and convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

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

From continuing operations

The calculation of basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the denominators as detailed above and the following data:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period from continuing operations	<u>5,022,284</u>	<u>220,586</u>

From discontinued operations

Basic and diluted loss per share for discontinued operations is HK1.60 cents per share (period ended 30 June 2012: HK15.95 cents per share), based on the loss for the period from discontinued operations attributable to owners of the Company of approximately HK\$124,818,000 (period ended 30 June 2012: HK\$1,247,404,000) and the denominators as detailed above for both basic and diluted loss per share.

No adjustment has been made to the basic loss per share for discontinued operations for the periods ended 30 June 2013 and 2012 as the share options, the Convertible Notes Due 2015, warrants and convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

14. ACCOUNTS RECEIVABLE

The Group normally allows credit terms to well-established customers ranging from 30 to 90 days. Efforts are made to maintain strict control over outstanding receivables and overdue balances are reviewed regularly by senior management. Accounts receivable are non-interest-bearing.

An aged analysis of accounts receivable at the end of the reporting period, based on the date of recognition of the sales and net of provisions, is as follows:

	30 June	31 December
	2013	2012
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
1 to 3 months	–	1,345
4 to 6 months	825	231
7 to 12 months	–	261
	<u>825</u>	<u>1,837</u>

15. ACCOUNTS PAYABLE

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

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

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
1 to 3 months	–	88,062
4 to 6 months	20	44,434
7 to 12 months	20,181	82,036
Over 12 months	330,988	187,943
	351,189	402,475

16. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals is an amount of HK\$4,593,899,000 in respect of amounts due to deconsolidated subsidiaries. As at 31 December 2012, RMB740,000,000 (equivalent to approximately HK\$918,304,000) in respect of the partial receipt of the disposal consideration of Titan Quanzhou Shipyard as further detailed in note 6 and note 24 respectively and the partial receipt of RMB740,000,000 (equivalent to approximately HK\$934,177,000) has been presented as amount due to the ultimate holding company as at 30 June 2013.

17. FIXED RATE GUARANTEED SENIOR NOTES (THE “SENIOR NOTES DUE 2012”)

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) on 17 March 2005. 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 outstanding principal in respect of the Senior Notes Due 2012 as at 30 June 2013 and 31 December 2012 was US\$105,870,000 (equivalent to approximately HK\$825,786,000). On the maturity date, 19 March 2012, the Company was unable to repay overdue principal and interest on the Senior Notes Due 2012 in the amount of US\$105,870,000 (equivalent to approximately HK\$825,786,000) and US\$4,499,000 (equivalent to approximately HK\$35,092,000) respectively.

As a result of the above, cross default was triggered in respect of a bilateral loan with a financial institution in an outstanding principal amount of US\$750,000 (equivalent to approximately HK\$5,850,000). An early redemption event was also triggered in respect of the Company's convertible preferred shares (the “Titan preferred shares”) and the TGIL preferred shares and resulted to TGIL warrants issued to SSL becoming exercisable.

18. 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 them in 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.

On 6 September 2012, the winding-up petition against the Company 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 Convertible Notes Due 2015 as set out in note 24.

19. 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 8.5% 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.

On 6 September 2012, the winding-up petition against the Company 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 24.

20. CONVERTIBLE PREFERRED SHARES

In 2007, the Company issued 555,000,000 Titan preferred shares at the stated value of HK\$0.56 per share and TGIL issued HK\$780,000,000 (US\$100,000,000) TGIL preferred shares. The fair values of the liability portion of the Titan preferred shares and the TGIL preferred shares were estimated at the issuance date.

On 2 May 2012, SSL exercised its subscription rights under the TGIL warrants, pursuant to which SSL held 50.1% of the aggregate number of the TGIL ordinary shares and preferred shares immediately after the exercise of the TGIL warrants.

On 18 June 2012, the Company received a notice from SSL to exercise its redemption rights under the terms of the TGIL preferred shares. This resulted to a loss on early redemption and equity portion of the TGIL preferred shares were transferred to the accumulated losses.

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.

During the period ended 30 June 2012, the TGIL preferred shares were derecognised upon the deconsolidation of a jointly-controlled entity as set out in note 2 of this announcement.

21. 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, TQSL Holding, 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 TQSL Holding 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 2012, the fair value of the embedded derivatives asset was HK\$176,049,000.

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 qualified as hedges of HK\$176,049,000 represented the derecognition of derivative financial instruments of the K-Line Notes Due 2013 when it was due on 31 March 2013.

22. CONVERTIBLE UNSECURED NOTES (THE “TGIL NOTES DUE 2014”)

On 14 July 2009, the Company, Titan Oil Storage Investment Limited (“TOSIL”), Warburg Pincus and TGIL entered into an agreement by which TOSIL and Warburg Pincus became entitled to provide, pro rata to their shareholdings in TGIL, funding of up to HK\$312.6 million (equivalent to approximately US\$40.1 million) to TGIL through the subscription of the TGIL Notes Due 2014. On the same day, Warburg Pincus exercised its option to subscribe for the TGIL Notes Due 2014 in the principal amount of HK\$156 million (US\$20 million).

On 13 January 2011, TOSIL exercised its right to subscribe for the TGIL Notes Due 2014 in the principal amount of HK\$156.6 million (equivalent to approximately US\$20.1 million) and the subscription was completed when the relevant the TGIL Notes Due 2014 were issued on 21 January 2011.

On 18 June 2012, the Company received from SSL a notice to exercise its redemption right under the terms of the TGIL Notes Due 2014.

During the period ended 30 June 2012, the TGIL Notes Due 2014 were derecognised upon the deconsolidation of a jointly-controlled entity as set out in note 2 of this announcement.

23. GUARANTEES

As at 30 June 2013, guarantees with aggregated amounts of HK\$344,358,000 (31 December 2012: HK\$314,478,000) by the Company to (i) a bank for a loan to a subsidiary of the Group, (ii) ship owners for the charter hire expenses to a subsidiary of the Group and (iii) the K-Line Notes Due 2013.

At the end of the reporting period, an amount of HK\$344,358,000 (31 December 2012: HK\$102,117,000) has been recognised in the Company's statement of financial position as liabilities.

As at 31 December 2012 guarantees aggregated RMB44,000,000 (equivalent to approximately HK\$54,602,000) had been provided to a deconsolidated jointly-controlled entity by the Group for a loan. As a result, an amount of HK\$2,361,000 has been recognised in the consolidated statement of financial position as liabilities. This guarantee had been released during the period upon settlement.

Other than those as disclosed above, the Group and the Company had no other material guarantees outstanding as at 30 June 2013 and 31 December 2012.

24. CONTINGENT LIABILITIES

a) Arbitrations

Arbitrations between KTL Mayfair Inc. ("Mayfair") and the Company and the Arbitrations between Mayfair and Titan Storage Limited ("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 USD23,021,040.61 and SGD5,296,30. TSL and the Company have also counterclaimed against Mayfair for USD20,755,188.89.

The proceedings between the Company and Mayfair are currently at the stage of exchanging evidence.

Arbitration between the Company and Edinburgh Navigation SA ("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.

24. CONTINGENT LIABILITIES (Continued)

a) Arbitrations (Continued)

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 USD20,755,188.89. Edinburgh and Camden have also counterclaimed against the Company and TSL for USD7,449,911.02 and USD6,425,312.50 respectively.

The parties are currently at the stage of exchanging evidence.

b) Bermuda Proceedings

On 4 July 2012, the Company received from SPHL a notice to redeem all of the outstanding 555,000,000 Titan preferred shares held by it at a redemption amount equal to the notional value of the Titan preferred shares (being HK\$310.8 million) 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, amongst 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 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 USD6,853,032 (up to 16 April 2013) pursuant to a deed of guarantee issued by the Company in favour of Camden.

24. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

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 Petition pending arbitration between the Company and Camden or (b) strike out the 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 Petition by SPHL 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 Supreme Court of Bermuda 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”).

24. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

The winding up petition against the Company by KTL Camden Inc. (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 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);

24. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

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

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

On 14 February 2014, the 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 Companies Act 1981 of Bermuda 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;

24. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

- (ii) save as specifically set out in the order, the JPLs will have no general or additional powers or duties with respect to the property or records of the Company, and the Board will continue to manage the Company's affairs in all respects and exercise the powers conferred upon it by the Company's Memorandum of Association and Bye-laws, provided always that, should the JPLs consider at any time that the Board is not acting in the best interests of the Company and its creditors, the JPLs shall have the power to report the same to the Bermuda Court and seek such directions from the Bermuda Court as the JPLs are advised are appropriate;
- (iii) the JPLs shall be entitled to receive advance materials, receive advance notice of, and, at the expense of the Company, attend all Board meetings and such meetings of management as the JPLs request;
- (iv) the Company shall at all times comply with the Funding Terms referred to in 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.

24. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

At the hearing held on 17 April 2014 (Bermuda time), the Bermuda Court ordered a further adjournment of the Camden Petition to 16 May 2014.

Further details in respect of the above are included in the Company's announcement dated 22 April 2014.

c) BVI Proceedings

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

On 17 July 2012 (BVI time), the BVI Court ordered 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 proceedings, however, up to the date of this announcement, there is no assurance that a settlement on the BVI proceedings will be reached.

d) Hong Kong Proceedings

On 19 July 2012, the Company received from SSL a writ of summons (the "Writ") issued in the Court of First Instance in the High Court of 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 seeks, amongst 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, amongst other things, stayed the proceedings for a period of 90 days which was then subsequently extended until 15 March 2013.

24. CONTINGENT LIABILITIES (Continued)

d) Hong Kong Proceedings (Continued)

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, TOSIL and SSL have been in negotiations with a view to reaching a settlement relating to the Writ, however, up to the date of this announcement, there is no assurance that a settlement on the Writ will be reached.

e) PRC Proceedings

On 11 December 2010, the Company entered into (i) a sale and purchase agreement with Titan TQSL, Titan Fujian and Grand China Logistics in relation to the disposal of its 95% equity interest in Titan Quanzhou Shipyard (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 is RMB1,865,670,000 or a maximum reduced consideration of RMB1,665,670,000 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\$2,054,139,000).

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, amongst 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 上海市高級人民法院 (Shanghai Higher People's Court).

24. CONTINGENT LIABILITIES (Continued)

e) PRC Proceedings (Continued)

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, amongst 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.

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 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 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 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 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.

24. CONTINGENT LIABILITIES (Continued)

e) PRC Proceedings (Continued)

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 are liable to be enforced by GZE. Further details in respect of the above are included in the Company's announcement dated 14 January 2014.

Other than the contingent liabilities as disclosed above, the Group and the Company had no other material contingent liabilities as at 30 June 2013 and 31 December 2012.

25. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this Announcement, the events that the Group had after the reporting period were as follow set out below.

a) Listing status

The Company was placed in the second stage of delisting procedures in accordance with Practice Note 17 to the Listing Rules since 22 November 2013. The Company is required to submit a viable resumption proposal to the Stock Exchange of Hong Kong Limited (the "Stock Exchange") by 5 May 2014 to address the following:

- i) the Company must demonstrate sufficient operations or assets under Listing Rule 13.24;
- 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.

b) Convertible bonds subscriptions

On 9 April 2013, the Company entered into a subscription agreement with CGL Resources ("the CGL Subscription Agreement") in relation to the subscription by CGL Resources of convertible bonds (the "CGL CB") in the principal amount of HK\$50 million.

The Company also entered into a subscription agreement with New Berkeley (the "New Berkeley Subscription Agreement") on 9 April 2013 in relation to the subscription by New Berkeley of convertible bonds (the "New Berkeley CB") in the principal amount of HK\$80 million.

On 29 April 2013, the Company entered into a subscription agreement with Wahan Investments (the "Wahan Subscription Agreement") in relation to the subscription by Wahan Investments of convertible bonds (the "Wahan CB") in the principal amount of HK\$180 million.

Further details in respect of the above were included in the Company's announcements dated 11 April 2013, 29 April 2013 and 25 November 2013.

25. EVENTS AFTER THE REPORTING PERIOD (Continued)

b) Convertible bonds subscriptions (Continued)

Under the CGL Subscription Agreement, the New Berkeley Subscription Agreement and the Wahan Subscription Agreement (collectively the “CB Subscription Agreements”), if the conditions precedent set out therein are not fulfilled on or before 31 December 2013 (the “Long Stop Date”) (or such later date as may be agreed between CGL Resources, New Berkeley and Wahan Investments, collectively the “CB Subscribers”) and the Company in writing), the CB Subscription Agreements shall lapse and become null and void. The conditions precedent set out in the CB Subscription Agreements were not fulfilled on or before 31 December 2013. The Company and the CB Subscribers are engaging in discussions with a view to extending the Long Stop Date.

c) Liquidation of subsidiaries

Due to the Group cost control efforts, the following subsidiaries were placed into liquidation subsequent to 30 June 2013 and up to 31 December 2013:

- i) Titan Solar Pte Ltd
- ii) Titan Orient Lines Pte. Ltd.
- iii) Far East Bunkering Services Pte Ltd
- iv) NAS Management Pte Ltd
- v) Titan Chios Pte. Ltd.
- vi) Titan Libra Pte. Ltd.
- vii) Titan Gemini Pte. Ltd.
- viii) Titan Pisces Pte. Ltd.
- ix) Titan Virgo Pte. Ltd.
- x) Sino Venus Pte. Ltd.
- xi) Titan Aries Pte. Ltd.
- xii) Titan Mercury Shipping Pte. Ltd.
- xiii) Sino Mercury Pte. Ltd.
- xiv) Titan Neptune Shipping Pte. Ltd.

The following subsidiaries were placed into liquidation subsequent to 30 June 2013 and up to the date of this announcement:

- i) Titan Leo Pte. Ltd.
- ii) Petro Titan Pte. Ltd.
- iii) Neptune Associated Shipping Pte Ltd
- iv) Roswell Pacific Ltd.
- v) Sewell Global Ltd.
- vi) Sino Ocean Development Limited
- vii) Brookfield Pacific Ltd.
- viii) Estonia Capital Ltd.
- ix) Titan Mars Limited
- x) Titus International Ltd.
- xi) Wendelstar International Ltd.
- xii) Wynham Pacific Ltd.

Save the above subsidiaries operated in Singapore (“Singapore subsidiaries”) were put into liquidation during the period and subsequent to 30 June 2013, most of their books and records have since been under the control of the liquidator.

25. EVENTS AFTER THE REPORTING PERIOD (Continued)

d) Proposed debt restructuring

In addition to the convertible bonds subscription, the Company further proposed to carry out the following debt restructuring procedures:

- (i) 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\$62.24 million at an interest rate of 2% per annum payable on maturity, subject to the dismissal or stay or adjournment of the hearing of the petition and the application for appointment of provisional liquidators to allow time for the Company to implement the Company's debt restructuring proposal. Details of the above were set out in the Company's announcement dated 15 March 2013.

Besides, the Company intends to put forward a proposal to issue a five year, zero coupon, unlisted convertible bonds by way of an open offer to all shareholders (the "Open Offer"). The Open Offer will be fully underwritten by Fame Dragon, pursuant to an underwriting agreement entered into by the Company and Fame Dragon dated 12 March 2013. Up to the date of this announcement, the issue of unlisted convertible bonds are still in negotiation with the relevant parties and the details of the above were set out in the Company's announcement dated 15 March 2013.

- (ii) Following the Company entered into the arrangements as detailed in note 23(b) and in the above, the Company has been engaged in discussions with the Group's creditors and potential creditors as well as the Company's controlling shareholder, GZE, and the convertible bonds' subscribers with a view to devising a debt restructuring proposal for the Group. On 14 August 2013, the Company announced certain key indicative terms of a debt restructuring proposal and continued to engage in discussions with creditors and other relevant parties. The Company then proposed to put forward a debt restructuring proposal for further discussion with creditors and other relevant parties. On 25 November 2013, the Company announced certain revised key indicative terms of the debt restructuring proposal. Up to the date of this announcement, the debt restructuring proposal are still in discussion with the relevant parties and the details of the key indicative terms of the debt restructuring proposal were set out in the Company's announcement dated 14 August 2013 and 25 November 2013.
- (iii) At the hearing of the Bermuda Court held on 7 March 2014, the Company was permitted to enter into another loan agreement (the "Loan Agreement") with Fame Dragon. The Loan Agreement was entered into between Fame Dragon and the Company on 13 March 2014, pursuant to which Fame Dragon agreed to provide an unsecured loan for meeting costs incurred by the Company in relation to the Company's debt restructuring plan or any other purpose agreed by Fame Dragon and the Bermuda Court, but not including the repayment of any debt which is included in the Company's debt restructuring plan, 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 above were set out in the Company's announcement dated 11 March 2014 and 1 April 2014,

25. EVENTS AFTER THE REPORTING PERIOD (Continued)

e) Demand for repayment of Indebtedness

On 4 March 2014, the Company received a demand letter from GZE for the immediate repayment of the indebtedness by 廣州泰山石化有限公司 (Guangzhou Titan Petrochemical Co., Ltd.) (“Guangzhou Titan”) pursuant to a debt transfer agreement dated 31 December 2013 entered into between GZE and Guangzhou Huanshi East Road Branch of Ping An Bank Co., Ltd. (formerly the Guangzhou Shuiyin Branch of Shenzhen Development Bank Co., Ltd.) (“Ping An Bank”). Ping An Bank has transferred to GZE its rights and interests in the indebtedness owed by Guangzhou Titan in the principal amount of RMB39,000,000 and the accrued interest of RMB3,600,000 (the “Indebtedness”) and the guarantee granted by the guarantors in respect of the Indebtedness.

On the same date, 嵊泗海鑫石油有限公司 (Shengsi Haixin Petrochemicals Co., Ltd.) (“Shengsi Haxin”), a wholly-owned subsidiary of the Company, received a letter from GZE dated 4 March 2014 whereby GZE requested Shengsi Haxin to prepare for punctual repayment of the loan made available by GZE to Shengsi Haxin pursuant to a loan agreement dated 25 November 2013 and entered into between GZE and Shengsi Haixin.

Details of the above demand repayment of indebtedness by Guangzhou Titan and Shengsi Haxin were set out in the Company’s announcement dated on 6 March 2014.

f) 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 (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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2013, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities during the period.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the six months ended 30 June 2013 except for the deviations set out below.

In respect of code provision A.2.1 of the CG Code, as announced on 27 August 2012, Mr. Zhao Xu Guang, the Chairman of the Board, also took up the position of acting Chief Executive following the departure of his predecessor. Mr. Zhao has been, since that date, responsible for the Group's strategic planning for new projects and corporate development and also overseeing the Group's overall operations and performance with the support of the management team. On 26 March 2013, the Company appointed Mr. Tang Chao Zhang as an Executive Director and Chief Executive and Mr. Zhao Xu Guang ceased to act as the Chief Executive. With this appointment, the segregation of the roles of the Chairman and Chief Executive came into effect.

According to code provision C.2.1 of the CG Code, the directors should at least annually conduct a review of the effectiveness of the Group's internal control systems and report to the shareholders that they have done so in the Corporate Governance Report. As the Group's internal auditor left on 24 December 2012, no internal control review had been conducted in 2013. Despite this, all the controls, policies and procedures adopted are in place.

The directors have taken steps to engage an independent adviser to assist the Group to perform the review of the effectiveness of the internal control systems.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the Company's code of conduct regarding director securities transactions. Having made specific enquiries of the relevant directors during the period, save as disclosed below, all the relevant directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2013.

On 29 April 2013, the Company entered into a subscription agreement (the "Wahen Subscription Agreement") with Wahen Investments Limited ("Wahen Investments") (which is wholly-owned by Mr. Zhao Xu Guang, the Chairman and Executive Director of the Company). The entering into the Wahen Subscription Agreement constitutes "dealing" in the shares of the Company in what is commonly called the "blackout period" of the Company during which dealings by directors are prohibited under Rule A.3(a) of the Model Code. On application by the Company, the Stock Exchange has granted a waiver from strict compliance with the applicable Rule under the Model Code. The reasons for making such application included:—

- (i) the urgent need for the Company to put together an alternative rescue financing proposal (since the previous proposal was voted down by shareholders at the special general meeting in late February 2013) in order to defend the petition which was set down for hearing on 1 May 2013;
- (ii) the proposed subscription of the convertible bonds under the Wahan Subscription Agreement by Wahan Investments accounts for a material part (approximately 25.7%) of the alternative rescue financing proposal, and is on substantially the same terms as those to be made available to all shareholders under the open offer and to third party investor under the subscription agreements entered into with CGL Resources Ltd. and New Berkeley Corporation, except that the Wahan Subscription Agreement will be subject to independent shareholders vote where Mr. Zhao and his associates would be required to abstain from voting as required under Chapter 14A of the Listing Rules; and
- (iii) the Company has not been able to issue its interim results for the six months ended 30 June 2012 and final results for the year ended 31 December 2012 to end the “blackout period” in time for the signing of the Wahan Subscription Agreement before submission deadlines for the Bermuda Court’s hearing of the petition.

REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The members of the audit committee of the Company during the period and up to the date of this announcement were Mr. Lau Fai Lawrence (*chairman*) (appointed on 13 March 2014), Mr. Foo Meng Kee (appointed on 27 December 2013) and Mr. Cheung Hok Fung Alexander (appointed on 24 March 2014). Mr. Shane Frederick Weir was appointed on 29 June 2012 as a member of the audit committee and retired on 30 September 2013. Mr. John William Crawford and Mr. Abraham Shek Lai Him ceased to be the chairman and a member of the audit committee respectively upon the expiry of their contracts on 27 February 2014.

The audit committee has reviewed the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013.

CONTINUED SUSPENSION IN TRADING

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

Hong Kong, 30 April 2014

As at the date of this announcement, the executive Directors are Mr. Zhao Xu Guang (Chairman), Mr. Tang Chao Zhang, Mr. Wong Siu Hung Patrick and Mr. Fu Yong Yuan; the non-executive Directors are Mr. Fan Qinghua and Mr. Hu Zhong Shan; and the independent non-executive Directors are Mr. Foo Meng Kee, Mr. Lau Fai Lawrence and Mr. Cheung Hok Fung Alexander.