Titan Petrochemicals Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1192)

Announcement of Results for the Year Ended 31 December 2008

FINANCIAL HIGHLIGHTS

HK$ Million

	2008	2007	Change %
Revenue	**11,093**	17,004	(34.8)
— continuing operations	**7,812**	7,848	(0.5)
— discontinued operation	**3,281**	9,156	(64.2)
EBITDA* — continuing operations	**378**	665	(43.2)
Loss for the year — continuing operations	**(388)**	(94)	NA
Profit/(loss) for the year — discontinued operation	**(1,217)**	63	NA
Loss for the year	**(1,605)**	(31)	NA

* Includes loss from disposal of vessels of HK$417 million in 2008 (2007: gain of HK$262 million) and gains from the repurchase of senior notes of HK$339 million

BUSINESS HIGHLIGHTS:

- **Rationalization of asset base and reduction of risk by cessation of oil trading business**
- **Long and short term liabilities reduced by HK$346 million and HK$1,918 million, respectively over the prior year**
- **Positive EBITDA on continuing operations**
- **Focus on core businesses in Storage and Shipyard operations, which provide more stable income streams and lower risk**

CHAIRMAN'S STATEMENT

The financial tsunami that swept across the world in 2008 has caused major upheavals in global financial markets, damaging business confidence in almost every industry, particularly the oil and logistics sectors in which Titan was involved. In the past six months, we have witnessed the slump in global oil prices, the disappearance of bank liquidity/financing and the demise of many long-established businesses locally and overseas. What this translated into for the Group's customers, business partners and our companies was a sharp and sudden plunge in new and recurring business, which pushed Titan's results for the year into a net loss position of HK$1,605 million of which HK$1,217 million arose from the discontinued oil trading operation.

In the midst of such adverse economic conditions during the year, Titan took decisive action to improve liquidity and better manage our cash resources by closing down our oil trading business, making extensive reductions of overhead expenses (by headcount reductions and other administrative expenses) and the disposal of five single-hulled VLCCs (very large crude carriers) and a coastal tanker. While these actions inevitably resulted in net book value losses on the disposal of vessels of HK$417 million, goodwill write-off and impairment of HK$224 million on the oil trading and oil transportation businesses and a HK$13 million impairment loss of the remaining shipping vessels held by the Group, all these items as I explained in last August, are non-cash in nature and have helped clean up our balance sheet.

Amidst all this turmoil, we have stayed firmly on course with our business strategy, prudently pushing ahead in our core business and focusing our efforts in the carefully phased development of our floating storage operations in Singapore-Malaysia, the China storage projects and the Titan Quanzhou Shipyard. We also achieved what we set out to do by bringing in K-Line as a strategic partner in the ship repair business.

In our efforts to manage our debt position in the deteriorating credit markets, the Group also made a US$43 million (HK$339 million) book gain by taking the strategic opportunity available to repurchase and cancel senior notes with a principal amount of US$66.82 million (HK$521 million) in 2008. Subsequent to the year end, the Group continued to reduce its debt level by further repurchasing senior notes with a principal amount of US$17.82 million (HK$139 million), for a gain of US$12 million (HK$94 million). The outstanding principal amount of the senior notes following such cancellations has been reduced from US$400 million (HK$3,120 million) to US$315 million (HK$2,460 million).

In line with the Group's strategy to focus on stability, it enters 2009 with a less volatile balance sheet and more predictable income streams. The Group has taken and will continue to exercise stringent liability management measures to control the debt level as reflected by the reduction in liabilities during 2008. These initiatives have given us confidence to face the challenging year ahead of us.

RESULTS

The Group's revenue for the year decreased to HK$11,093 million, a drop of 34.8% over 2007 with the cessation of the oil trading business in Singapore as part of the strategy developed during 2008. The Group's continuing operations recorded revenue of HK$7,812 million which is a 0.5% down from 2007.

The loss before tax on continuing operations was HK$391 million compared to a loss of HK$82 million in the previous year. The Group's continuing operations recorded a positive EBITDA of HK$378 million (2007: HK$665 million). This result took into account the loss on disposal of six vessels of HK$417 million (2007: gain of HK$262 million), and gains from repurchase of senior notes of HK$339 million in 2008 (2007: Nil).

The discontinued oil trading operation, recorded a loss after tax of HK$1,217 million in 2008 as compared to a profit after tax of HK$63 million in 2007. This contributed significantly to the Group net loss of HK$1,605 million for 2008, compared to the loss of HK$31 million for 2007.

The Board has decided not to declare a dividend for the year.

FINANCIAL RESOURCES

The Group's cash position, including discontinued operation, was HK$594 million at 31 December 2008 compared to HK$2,111 million at the end of 2007. The cash was mainly utilised in the continued operation investments in the construction of the projects in China, repayment of loans and redemption of senior notes and in the wind down of operations in the oil trading business. The Group's gearing remains relatively stable at 0.51, compared to 0.49 at the end of 2007.

BUSINESS REVIEW

Shipyard

Total revenues for the Titan Quanzhou Shipyard for 2008 were HK$574 million, an increase of 403.7% over last year and segment EBITDA was HK$82 million, rising 341.7% compared to 2007.

Titan Quanzhou Shipyard is a unique multifunctional facility that when fully operational will be one of the largest ship repair, offshore engineering and specialized ship building yards in Asia. Work commenced on four dry docks during the year and the yard is expected to be ready to commence float repair operations in mid 2009.

A partnership with K-Line of Japan was formed in August 2008 which is a milestone for our ship repair business with agreements covering K-Line's purchase of US$25 million (HK$195 million) of notes and appointment of Titan Quanzhou Shipyard as its primary ship repair provider in China.

The yard's ship building operations, which began in September 2007, delivered four vessels in 2008, and is expected to deliver six ships in 2009. We were pleased to obtain ISO9001 certification during the year, which has affirmed our continuing efforts to improve all aspects of production and delivery. In addition, we have also established the necessary operational procedures and HR management systems in preparation for the impending launch of the new ship repair business.

Storage
In 2008, revenues from the Group's storage operations increased 155.0% to HK$540 million and segment EBITDA increased by 48.1% to HK$329 million.

Revenues came mainly from the floating storage operations (FSU) in Malaysian waters near Singapore, which have always provided a steady stream of income to the Group, together with growing contributions from the first phases of the Nansha and Fujian terminals at our onshore facilities in China.

FSU revenues increased 145.9% to HK$484 million, and segment EBITDA rose 40.8% to HK$293 million. FSU capacity was reduced by 13% when we returned two vessels to the transportation business to capture more favorable freight rates in the second quarter, but this status was reversed in the last quarter with the drop in shipping demand worldwide. By the year end, we had restored our FSU capacity back to one million tons.

At our onshore facilities in China, we are pleased that our goal to increase utilisation has made satisfactory progress. The utilisation rate for the 410,000 cubic meter Nansha Terminal Phase I, increased to 65% in the second half of the year. Average utilisation for the year at our Nansha terminal was 59% compared to 43% in the previous year, and our Phase I Fujian chemical storage also improved from 22% to 43%. Overall, revenues from the China terminals were higher at HK$56 million compared to HK$15 million in 2007. Segment EBITDA was HK$36 million compared to HK$14 million in the prior year.

Nansha Phase II development has now completed its oil storage section comprising 180,000 cubic meters at the end of December 2008, raising the terminal's total oil storage capacity to 590,000 cubic meters. The 125,300 cubic-meter chemical storage facility is due for completion this April and will start operations in May 2009.

Phase I of the Yangshan Petrochemical Terminal near Shanghai, which consists of 420,000 cubic meters of oil storage, finished construction at the end of 2008 and became operational, receiving its first shipment in December.

Supply Chain (Distribution)
Revenues, excluding the discontinued oil trading business, in 2008 declined by 13.1% to HK$5,464 million and the segment loss before interest expenses, tax, depreciation and amortisation increased 134.8% to HK$11 million.

Transportation
Revenues from transportation in 2008 were HK$1,234 million, a decrease of only 0.2% compared to 2007 while segment EBITDA for the year decreased by 35.4% to HK$184 million.

The fall in revenues was the result of a significant decline in freight rates during the second half caused by the global economic conditions which led to a drop in oil demand and rise in excess tonnage available. For example in 2008, on the Middle East — Far East route, average World Scale rates fell to WS78 in December compared to WS202 for June. Revenues were also lower due to our continuing asset management program which reduced fleet capacity substantially.

Before the slump in asset prices, we took the opportunity to sell four VLCCs and a coastal tanker and thereby providing the Group with additional cash flow during the course of the year. We sold a fifth VLCC in December 2008 and in total, the cash consideration for all vessel disposals during the year was HK$1,295 million.

As previously mentioned, we also deployed two VLCCs as Floating Storage Units (FSU) to maximize our returns in a stronger storage market by the end of the second half of 2008. As a result, our total fleet capacity decreased from 2.13 million dwt at the end of 2007 to 1.162 million dwt at the end of 2008.

OUTLOOK

Shipyard

In 2009, the yard is scheduled to start building ten more vessels, launch eight and deliver six ships.

Our key focus this year, is to continue construction of the ship repair facilities, which include four major dry-docks, ten jetties (along our 3.6 km coastline), 30 cranes and six major workshops, with the objective to commence float repair operations in mid 2009, and complete all other facilities by the middle of next year.

Storage

Storage demand in the Singapore and Malaysia region is expected to remain healthy and we are confident that our FSU business, which will increase to six VLCCs before the end of the first half of this year, can make a meaningful contribution for 2009.

Construction of the 100,000 dwt jetty at the Fujian Terminal will be completed by the end of 2009. Together with the chemical storage facilities in Nansha Phase II, the Group's China Terminals have 145% additional capacity compared with mid 2008. Utilisation for all three terminals continued to improve so far in the first few months of 2009 and our goal is to keep up the momentum we worked hard to build up last year in pushing for even higher utilisation and more term leases. The current lower global oil prices and contango market is beneficial to the storage business and its development. Furthermore, we believe the superiority of our terminal facilities and the quality of our services will give us a competitive advantage in the medium term and in the long run.

We will also continue to diversify from our single-hulled vessels and maintain our strategy to optimise usage of our vessels by the flexible deployment between our floating storage and transportation operations.

Summary

In spite of the bleak economic landscape and near-term outlook, I believe that the investments we have made in China have solid growth prospects. The increased focus of the Group will continue to be on less volatile businesses such as our ship repair and onshore storage operations. Currently, Titan has a total storage capacity of 1.1 million cubic meters and this capacity will be gradually expanded to match growth in the market demand. This will in turn improve the quality of our earnings and position Titan for future growth and stability when the markets recover eventually.

Tsoi Tin Chun
Chairman & Chief Executive

Hong Kong, 24 April 2009

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CONTINUING OPERATIONS			
Revenue	2	**7,812,382**	7,848,490
Cost of sales		**(7,366,700)**	(7,561,481)
Gross profit		**445,682**	287,009
Other revenue		**416,337**	82,585
Fee and arrangement charges for consents from the senior notes holders in relation to the issuance of convertible preferred shares		**—**	(23,832)
General and administrative expenses		**(381,556)**	(266,102)
Finance costs	5	**(453,793)**	(432,901)
Share of profits of associates		**9,130**	9,019
Operating profit/(loss) from continuing operations		**35,800**	(344,222)
Gain/(loss) on disposal of vessels, net		**(416,618)**	262,423
Restructuring expenses		**(10,150)**	—
LOSS BEFORE TAX	6	**(390,968)**	(81,799)
Tax	7	**2,664**	(12,458)
Loss for the year from continuing operations		**(388,304)**	(94,257)
DISCONTINUED OPERATION			
Profit/(loss) for the year from discontinued operation, oil trading	4(a)	**(1,217,221)**	63,285
LOSS FOR THE YEAR		**(1,605,525)**	(30,972)
Attributable to:			
Equity holders of the parent		**(1,600,557)**	(29,104)
Minority interests		**(4,968)**	(1,868)
		(1,605,525)	(30,972)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Continuing operations			
Basic		**(HK 5.92 cents)**	(HK1.89 cents)
Diluted		**(HK 5.84 cents)**	N/A
Discontinued operation, oil trading			
Basic		**(HK 18.80 cents)**	HK1.29 cents
Diluted		**(HK 18.55 cents)**	N/A
Total			
Basic		**(HK 24.72 cents)**	(HK0.60 cents)
Diluted		**(HK 24.39 cents)**	N/A

CONSOLIDATED BALANCE SHEET
31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,287,826**	4,758,740
Prepaid land/seabed lease payments		**928,326**	881,296
Licences	9	**37,416**	39,933
Goodwill	10	**1,103,564**	1,018,116
Interests in associates		**264,724**	263,746
Deposits for construction in progress		**180,121**	268,215
Other deposits		**8,200**	14,166
Total non-current assets		**6,810,177**	7,244,212
CURRENT ASSETS			
Bunker oil		**33,782**	93,724
Inventories		**201,964**	1,124,511
Accounts receivable	11	**224,215**	1,158,427
Prepayments, deposits and other receivables		**602,976**	579,583
Contracts in progress		**514,992**	205,587
Derivative financial instruments		**—**	258,095
Pledged deposits and restricted cash		**230,363**	597,184
Cash and cash equivalents		**351,404**	1,513,620
		2,159,696	5,530,731
Assets of a disposal group classified as held for sale	4(b)	**29,119**	—
Total current assets		**2,188,815**	5,530,731
CURRENT LIABILITIES			
Interest-bearing bank and other loans		**624,539**	1,798,617
Accounts and bills payable	12	**353,869**	913,153
Other payables and accruals		**1,089,042**	868,726
Finance lease payables		**403**	424
Excess of progress billings over contract costs		**8,294**	21,833
Derivative financial instruments		**—**	408,527
Tax payable		**16,795**	26,274
		2,092,942	4,037,554
Liabilities of a disposal group classified as held for sale	4(b)	**27,000**	—
Total current liabilities		**2,119,942**	4,037,554
NET CURRENT ASSETS		**68,873**	1,493,177
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,879,050**	8,737,389

	Notes	**2008**	2007
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Fixed rate guaranteed senior notes		**(2,621,813)**	(3,135,041)
Convertible preferred shares — liability portion	13	**(573,393)**	(501,622)
Notes payable	14	**(194,571)**	—
Interest-bearing bank and other loans		**(1,156,306)**	(1,261,209)
Finance lease payables		**(319)**	(722)
Deferred tax liabilities		**(157,367)**	(153,586)
Vessel deposit received		**(2,500)**	—
Total non-current liabilities		**(4,706,269)**	(5,052,180)
Net assets		**2,172,781**	3,685,209
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**64,739**	64,737
Equity portion of convertible preferred shares	13	**75,559**	75,559
Reserves		**2,596,470**	2,911,589
Reserves of a disposal group classified as held for sale	4(b)	**(1,105,575)**	—
		1,631,193	3,051,885
Contingently redeemable equity in a jointly-controlled entity	13	**517,837**	517,837
Minority interests		**23,751**	115,487
Total equity		**2,172,781**	3,685,209

Notes to financial statements

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations), issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair values. The disposal group held for sale, representing the oil trading operations, is stated at the lower of its carrying amount and fair value less costs to sell. These financial statements are presented in Hong Kong dollars (HK$) and all values are rounded to the nearest thousand except when otherwise indicated.

During the year ended 31 December 2008, the Group incurred a loss attributable to equity holders of the parent in the amount of HK$1,600,577,000 and at the balance sheet date had net current assets of HK$68,873,000 (2007: HK$1,493,177,000) and a total net asset value of HK$2,172,781,000 (2007: HK$3,685,209,000). In addition, the Group has HK$1,646,676,000 capital and other commitments solely for further development of the new shipyard facilities to be built in several stages which require additional financing that has yet to be obtained. These conditions raise uncertainty about the Group's ability to continue as a going concern. In order to improve the Group's financial position, liquidity and cash flows and to sustain the Group as a going concern, the directors of the Company have taken and/or are in the process of taking measures which include, but are not limited to, the following:

1) Restructured and discontinued the oil trading operation in Singapore which incurred a loss of HK$1,217,221,000 during the year.

2) Continuing to diversify from its single hulled vessels and maintain a strategy to optimise usage of the remaining vessels by the flexible deployment between the offshore storage and transportation operations.

3) Taken measures to reduce financing costs through repurchases of its 8.5% Senior Notes.

4) Taken various cost control measures to reduce the costs of operations and various general and administrative expenses.

5) Continuing to utilise existing and seek new non-recourse project financing and capital financing arrangements to fund the development of the Group's China projects. Subsequent to the balance sheet date, the Group is in the final stages of concluding a RMB650 million bank facility and is also in the advance stages of discussions with various financial institutions to obtain other financing for the development of the shipyard.

The directors of the Company consider that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due and, accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Acquisitions of subsidiaries are accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and the liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

1.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs, HKASs and Hong Kong (IFRIC) Interpretations ("HK(IFRIC)-Int"), herein collectively referred to as the new HKFRSs for the first time for the current year's financial statements:

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*
HK(IFRIC)-Int 11	HKFRS 2 — *Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	HKAS 19 — *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) HK(IFRIC)-Int 11 HKFRS 2 — *Group and Treasury Share Transactions*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. The interpretation has had no material impact on the financial position or results of operations of the Group.

(c) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for the obligations undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) HK(IFRIC)-Int 14 HKAS 19 — *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

2. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of oil products sold, after allowances for returns and trade discounts, income from the provision of bunker refueling services, gross freight income from the provision of oil transportation services, gross income from oil storage services and gross income from shipbuilding. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. The Group has discontinued its oil trading operation in Singapore per the announcement on 25 June 2008 as detailed in Note 4. Summary details of the business segments included in continuing operations are as follows:

(i) supply of oil products and provision of bunker refueling services;

(ii) provision of logistic services (including oil transportation and oil storage); and

(iii) shipbuilding.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers and assets are attributed to the segments based on the location of the assets.

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.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

	Supply of oil products and provision of bunker refueling services		Provision of logistic services						Shipbuilding		Continuing operations		Discontinued operation, oil trading		Eliminations		Consolidated	
			Oil transportation		Oil storage													
					Off shore		On shore											
	2008	2007*	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007*	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue																		
— Revenue from external customers	**5,464,388**	6,286,292	**1,233,882**	1,236,516	**483,603**	196,659	**56,186**	15,006	**574,323**	114,017	**7,812,382**	7,848,490	**3,280,562**	9,155,828	**—**	—	**11,092,944**	17,004,318
— Intersegment revenue	**491,516**	452,896	**28,837**	—	**109,903**	395,018	**14,584**	32,719	**197,689**	—	**842,529**	880,633	**1,606,105**	3,269,723	**(2,448,634)**	(4,150,356)	**—**	—
Total	**5,955,904**	6,739,188	**1,262,719**	1,236,516	**593,506**	591,677	**70,770**	47,725	**772,012**	114,017	**8,654,911**	8,729,123	**4,886,667**	12,425,551	**(2,448,634)**	(4,150,356)	**11,092,944**	17,004,318
Segment results	**(19,883)**	(41,109)	**72,097**	127,829	**163,092**	108,897	**(1,791)**	(3,193)	**61,175**	15,710	**274,690**	208,134	**(1,190,139)**	95,312	**—**	—	**(915,449)**	303,446
Adjust for:																		
Unallocated items:																		
— Interest income and other revenue											**379,962**	128,340	**3,771**	11,521			**383,733**	139,861
— Other expenses											**(174,189)**	(256,814)	**—**	—			**(174,189)**	(256,814)
Share of profit of associates	**6,819**	6,782	**—**	—	**—**	—	**2,311**	2,237	**—**	—	**9,130**	9,019	**—**	—			**9,130**	9,019
											489,593	88,679	**(1,186,368)**	106,833			**(696,775)**	195,512
Add: Depreciation & amortisation:																		
— Attributable to segments	**1,856**	29,553	**112,365**	157,507	**130,248**	99,489	**35,280**	14,839	**20,426**	2,765	**300,175**	304,153	**240**	127			**300,415**	304,280
— Unallocated											**14,869**	9,952	**—**	—			**14,869**	9,952
Operating EBITDA/ (LBITDA)	**(11,208)**	(4,774)	**184,462**	285,336	**293,340**	208,386	**35,800**	13,883	**81,601**	18,475	**804,637**	402,784	**(1,186,128)**	106,960			**(381,491)**	509,744
— Gain/(loss) on disposal of vessels, net											**(416,618)**	262,423	**—**	—			**(416,618)**	262,423
— Restructuring expenses											**(10,150)**	—	**—**	—			**(10,150)**	—
EBITDA/(LBITDA)											**377,869**	665,207	**(1,186,128)**	106,960			**(808,259)**	772,167
Depreciation & amortisation											**(315,044)**	(314,105)	**(240)**	(127)			**(315,284)**	(314,232)
Finance costs											**(453,793)**	(432,901)	**(30,889)**	(49,512)			**(484,682)**	(482,413)
Profit/(loss) before tax											**(390,968)**	(81,799)	**(1,217,257)**	57,321			**(1,608,225)**	(24,478)
Tax											**2,664**	(12,458)	**36**	5,964			**2,700**	(6,494)
Profit/(loss) after tax											**(388,304)**	(94,257)	**(1,217,221)**	63,285			**(1,605,525)**	(30,972)

* The comparatives are re-presented to separate the discontinued operation, oil trading. Explanations are detailed in Note 4.

	Provision of logistic services															
					Oil storage											
	Supply of oil products and provision of bunker refueling services		Oil transportation		Off shore		On shore		Shipbuilding		Continuing operations		Discontinued operation, oil trading		Consolidated	
	2008	2007*	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007*	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities																
Segments assets	**137,522**	2,995,576	**703,374**	1,915,467	**827,685**	1,461,157	**2,724,460**	1,938,275	**3,575,703**	2,160,619	**7,968,744**	10,471,094	**29,119**	—	**7,997,863**	10,471,094
Interests in associates	**3,742**	45,459	**—**	—	**—**	—	**260,982**	218,287	**—**	—	**264,724**	263,746	**—**	—	**264,724**	263,746
Unallocated assets											**736,405**	2,040,103	**—**	—	**736,405**	2,040,103
Total assets											**8,969,873**	12,774,943	**29,119**	—	**8,998,992**	12,774,943
Segments liabilities	**83,603**	1,370,539	**88,060**	26,270	**53,054**	17,790	**245,323**	85,951	**784,022**	464,946	**1,254,062**	1,965,496	**27,000**	—	**1,281,062**	1,965,496
Unallocated liabilities											**5,545,149**	7,124,238	**—**	—	**5,545,149**	7,124,238
Total liabilities											**6,799,211**	9,089,734	**27,000**	—	**6,826,211**	9,089,734
Other segment information																
Depreciation and amortisation	**1,856**	29,553	**112,365**	157,507	**130,248**	99,489	**35,280**	14,839	**20,426**	2,765	**300,175**	304,153	**240**	127	**300,415**	304,280
Unallocated depreciation and amortisation											**14,869**	9,952	**—**	—	**14,869**	9,952
											315,044	314,105	**240**	127	**315,284**	314,232
Capital expenditure	**11,652**	651	**81,324**	16,300	**38,534**	106,151	**554,892**	245,420	**643,765**	1,005,838	**1,330,167**	1,374,360	**—**	1,068	**1,330,167**	1,375,428
Unallocated capital expenditure											**33,757**	22,842	**—**	—	**33,757**	22,842
											1,363,924	1,397,202	**—**	1,068	**1,363,924**	1,398,270
Write-off of/allowance for bad and doubtful debts	**1,454**	4,278	**2,436**	9,312	**—**	493	**—**	—	**—**	—	**3,890**	14,083	**2,685**	(918)	**6,575**	13,165
Unallocated write-off of/ allowance for bad and doubtful debts											**9,219**	542	**—**	—	**9,219**	542
											13,109	14,625	**2,685**	(918)	**15,794**	13,707

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007.

	China		**Other Asia Pacific Countries**		**Consolidated**	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Revenue from external customers	**2,366,373**	895,371	**8,726,571**	16,108,947	**11,092,944**	17,004,318
Attributable to the discontinued operation, oil trading	**—**	—	**(3,280,562)**	(9,155,828)	**(3,280,562)**	(9,155,828)
Revenue from continuing operations	**2,366,373**	895,371	**5,446,009**	6,953,119	**7,812,382**	7,848,490
Other segment information						
Segment assets	**6,856,732**	5,640,963	**808,277**	5,655,722	**7,665,009**	11,296,685
Unallocated assets					**1,333,983**	1,478,258
					8,998,992	12,774,943
Capital expenditure	**1,223,947**	1,254,553	**10,066**	127,417	**1,234,013**	1,381,970
Unallocated capital expenditure					**129,911**	16,300
					1,363,924	1,398,270
Write-off of/allowance for bad and doubtful debts	**9,231**	—	**6,563**	13,707	**15,794**	13,707

4. DISCONTINUED OPERATION, OIL TRADING

On 25 June 2008, the Board of Directors resolved that the Group be restructured to focus more on its storage and shipyard operations, and discontinued its oil trading operation. As such, the Group has adopted Hong Kong Financial Reporting Standard No. 5 — Non-current Assets Held for Sale and Discontinued Operations.

As at 31 December 2008, the assets and liabilities related to the discontinued operation, oil trading, have been presented in the consolidated balance sheet as "Assets of a disposal group classified as held for sale" and "Liabilities of a disposal group classified as held for sale". The 2007 comparatives in the consolidated balance sheet have not been adjusted as the decision to dispose of the discontinued operation, oil trading, was made in the current financial year.

For the financial year ended 31 December 2008, the results are presented separately on the consolidated income statement as "Profit/(loss) for the year from discontinued operation, oil trading" and the comparatives in the 2007 consolidated income statement have been adjusted accordingly.

(a) Income statement disclosures

	Notes	2008 HK$'000	2007 HK$'000
Revenue		**3,280,562**	9,155,828
Cost of sales		**(4,210,607)**	(8,986,232)
Gross profit/(loss)		**(930,045)**	169,596
Other revenue		**22,478**	21,287
General and administrative expenses*		**(278,801)**	(84,050)
Finance costs	*5*	**(30,889)**	(49,512)
Profit/(loss) before tax		**(1,217,257)**	57,321
Tax	*7*	**36**	5,964
Profit/(loss) for the year from discontinued operation, oil trading		**(1,217,221)**	63,285

(b) Balance sheet disclosures

	2008 HK$'000	2007 HK$'000
Assets of a disposal group classified as held for sale:		
Property, plant and equipment	**14**	—
Accounts receivable	**9,634**	—
Prepayments, deposits and other receivables	**7,178**	—
Cash and bank balances	**12,293**	—
	29,119	—
Liabilities of a disposal group classified as held for sale:		
Accounts and bills payable	**24,511**	—
Other payables and accruals	**2,413**	—
Deferred tax liabilities	**76**	—
	27,000	—
Net assets of a disposal group classified as held for sale	**2,119**	—
Reserves of a disposal group classified as held for sale		
Accumulated losses	**1,105,575**	—

* An impairment of goodwill arising from the discontinued operation, oil trading, of HK$217,640,000 (2007: Nil) is included in general and administrative expenses.

(c) Cash flow statement disclosures

	2008	2007
	HK$'000	*HK$'000*
Net cash inflow/(outflow) from:		
Operating activities	**(304,257)**	86,861
Investing activities	**—**	(1,069)
Net increase/(decrease) in cash and cash equivalents	**(304,257)**	85,792
Cash and cash equivalents at beginning of year	**316,550**	230,758
Cash and cash equivalents at end of year	**12,293**	316,550

5. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**81,740**	84,166
Bank loans not wholly repayable within five years	**77,015**	59,301
Other loan	**1,009**	—
Trust receipt loans, secured	**28,941**	42,768
Finance lease payables	**58**	8,223
Fixed rate guaranteed senior notes	**263,383**	275,934
Notes payable	**2,637**	—
Dividends on convertible preferred shares:		
Titan preferred shares	**30,505**	14,736
Titan Group Investment Limited ("TGIL") preferred shares	**41,266**	18,356
Other borrowing costs	**6,515**	4,914
Total interest expenses	**533,069**	508,398
Less: Interest capitalised	**(48,387)**	(25,985)
	484,682	482,413
Attributable to continuing operations	**453,793**	432,901
Attributable to discontinued operation, oil trading	**30,889**	49,512
	484,682	482,413

6. LOSS BEFORE TAX

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Depreciation:		
Continuing operations	**309,466**	309,400
Discontinued operation, oil trading	**240**	127
Amortisation of prepaid land/seabed lease payments:		
Continuing operations	**3,061**	2,110
Amortisation of licences:		
Continuing operations	**2,517**	2,595
Bank interest income:		
Continuing operations	**(22,808)**	(37,257)
Discontinued operation, oil trading	**(2,910)**	(11,520)
Gain from repurchase of senior notes:		
Continuing operations	**(339,174)**	—

7. TAX

Taxes on profits have been calculated at the rates of tax prevailing in the jurisdictions where the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

	2008	2007
Hong Kong	**16.5%**	17.5%
Singapore	**18.0%**	18.0%
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 year.

Singapore

With the Global Trader Program ("GTP") incentive awarded by the Inland Revenue Authority of Singapore, certain qualified income generated during the year from the oil trading business of the Group has been charged at a tax concessionary rate of 5% (2007: 10%).

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 during the year.

Mainland China

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("PRC") which took effect on 1 January 2008. The PRC income tax rate thereby become unified to 25% for all enterprises. The State Council of the PRC passed an implementation guidance note ("Implementation Guidance") on 26 December 2007 which sets out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, certain subsidiaries of the Group in Mainland China which have not fully utilised their five-year tax holidays will be allowed to continue to enjoy full entitlement to reductions in income tax rates until expiry of the tax holidays, after which, the 25% standard rate will apply.

	Group	
	2008	2007
	HK$'000	*HK$'000*
Elsewhere		
Current — charge/(credit) for the year	**(2,309)**	11,832
Overprovision in prior years	**(4,248)**	(978)
Deferred taxation	**3,857**	(4,360)
	(2,700)	6,494
Tax charge/(credit) attributable to continuing operations	**(2,664)**	12,458
Tax credit attributable to discontinued operation, oil trading	**(36)**	(5,964)
	(2,700)	6,494

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share is based on the total consolidated loss for the year attributable to ordinary equity holders of the parent of approximately HK$1,600,557,000 (2007: HK$29,104,000), represented by continuing operations loss of approximately HK$383,336,000 (2007: HK$92,389,000) and discontinued operation loss of approximately HK$1,217,221,000 (2007: profit of HK$63,285,000), and the weighted average of 6,473,829,476 (2007: 4,887,579,599) ordinary shares in issue during the year.

In the current year, the calculation of diluted loss per share is based on the total consolidated loss for the year attributable to ordinary equity holders of the parent of approximately HK$1,600,557,000, represented by continuing operations loss of approximately HK$383,336,000 and discontinued operation loss of approximately HK$1,217,221,000. The number of ordinary shares used in the calculation is the weighted average of 6,473,829,476 ordinary shares in issue during the year, as used in the basic loss per share calculation, plus the weighted average of 88,601,711 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares, which represented earn-out shares, into ordinary shares.

A diluted loss per share amount for the year ended 31 December 2007 was not disclosed, as the share options and the convertible preferred shares outstanding during that year had an anti-dilutive effect on the basic loss per share.

9. LICENCES

Licences represent the rights acquired to undertake floating storage operations within the port limits off the east and west coasts of the Malaysia peninsula, pursuant to licences issued by the Ministry of Transport of Malaysia. Licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 20 years.

10. GOODWILL

Goodwill acquired through business combinations for the prior year was mainly attributable to the acquisition of 嵊泗海鑫石油有限公司 and Titan TQSL Holding Company Ltd and its wholly-owned subsidiary, Titan Quanzhou Shipyard Co. Ltd., of approximately HK$17 million and HK$518 million respectively.

In the current year, the goodwill arose from business combinations attributable to the acquisition of the 80% equity interest in Shenzhen Donger Petroleum & Chemicals Co., Ltd. and the further acquisition of the remaining 30% equity interest in Guangzhou Nansha Titan Petrochemical Development Co. Ltd. of approximately HK$4.3 million and HK$252 million, respectively, from independent third parties. Also, in 2008, goodwill of HK$52 million arose from earn-out shares to be issued to Titan Oil Pte Ltd or the nominees in accordance with the shipyard acquisition agreement.

As at 31 December 2008, except for the discontinued operation, oil trading and the oil transportation services, no impairment provisions have been made against the goodwill arising from the acquisitions of the remaining oil supply businesses, and the on shore oil storage and shipbuilding/ship repairs businesses.

11. 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. On this basis and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts receivable are non-interest-bearing.

An aged analysis of accounts receivable as at the balance sheet date, based on the date of recognition of the sale and net of provisions, is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
1 to 3 months	**126,616**	1,097,385
4 to 6 months	**60,534**	17,223
7 to 12 months	**24,231**	36,930
Over 12 months	**12,834**	6,889
	224,215	1,158,427

12. ACCOUNTS AND BILLS PAYABLE

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

An aged analysis of the accounts and bills payable as at the balance sheet date, based on the date of receipt of goods purchased, is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
1 to 3 months	**260,985**	870,357
4 to 6 months	**67,827**	15,561
7 to 12 months	**15,408**	19,428
Over 12 months	**9,649**	7,807
	353,869	913,153

Accounts and bills payable are non-interest-bearing and are normally settled on terms of 30 to 90 days.

13. CONVERTIBLE PREFERRED SHARES

On 28 March 2007, Warburg Pincus Private Equity IX, L.P. and Warburg Pincus (Bermuda) Private Equity IX, L.P. (collectively known as "Warburg Pincus") invested US$175 million into the Group:

a) Through its subscription of the Company's shares and warrants comprising of (i) 526.3 million ordinary shares of the Company at HK$0.521 per share; (ii) 555 million of the Company's convertible preferred shares at the conversion price of HK$0.56 per share; and (iii) the Company's warrants of HK$1 carrying rights to subscribe up to HK$195 million for the Company's ordinary shares at the subscription price of HK$0.644 per share, subject to adjustments, any time from the first anniversary of the date of the completion of issuance until the expiry of five years from the date they are issued; and

b) In Titan Group Investment Limited ("TGIL"), a jointly controlled entity of the Group, which together with its subsidiaries, owns the Group's oil storage terminal operations in Mainland China, through its subscription of (i) TGIL's preferred shares of US$100 million which are convertible into TGIL's ordinary shares and (ii) TGIL's warrants of HK$1 carrying rights to subscribe for such number of TGIL's ordinary shares so that its total holdings of TGIL's ordinary shares and TGIL's preferred shares will immediately, after such subscription, equal to 50.1% of the aggregate number of TGIL's ordinary shares and TGIL's preferred shares then in issue.

The ordinary shares of the Company were reflected in the issued share capital and share premium. The fair value of the liability portion of the preferred shares was estimated at the issuance date. The residual amount of HK$76 million (31 December 2007: HK$76 million) of the preferred shares of the Company, and HK$518 million (31 December 2007: HK$518 million) of TGIL's preferred shares were assigned as the equity portion and were included in shareholders' equity of the Company and contingently redeemable equity in a jointly-controlled entity, respectively.

14. NOTES PAYABLE

On 5 August 2008, the Group signed an agreement with Kawasaki Kisen Kaisha ("K Line") for K Line to purchase notes for US$25 million (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 are exchangeable for up to 5% of the issued share capital of one of its subsidiaries, Titan TQSL Holding Company Ltd ("TQSL Holding"), which holds Titan Quanzhou Shipyard Co., Ltd. ("QZ Shipyard") in Mainland China.

At maturity, the notes will 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 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 shall have the right to early redeem at the Applicable Redemption Amount in the event of change of control.

Change of control means (i) the sale of all or substantially all the assets of Titan Shipyard Holdings Limited ("Shipyard Holdings"), TQSL Holding or QZ Shipyard to another person; (ii) any transaction resulting in voting rights of 50% or more of total voting rights of either Shipyard Holdings, TQSL Holdings or QZ Shipyard being held other than, directly or indirectly, by the Company and Shipyard Holdings; or (iii) the adoption of a plan relating to the liquidation, winding up or dissolution of either Shipyard Holdings, TQSL Holding or QZ Shipyard.

QZ Shipyard and K Line also signed a strategic alliance agreement under which K Line will appoint QZ shipyard as its primary ship repair partner in Mainland China and, accordingly, K Line agreed to provide the shipyard ship repair business. This agreement is for an initial term of ten years and thereafter can be renewed for successive five-year terms.

This transaction constituted a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules and therefore, further details in relation to the transaction are set out in a Company's circular dated 26 August 2008.

15. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Company repurchased 8.50% Senior Notes issued by it and listed on the Singapore Stock Exchange in the aggregate principal amount of US$17,816,000 (HK$138,964,800). Together with those Senior Notes repurchased in 2008, the Company has repurchased US$84,640,000 (HK$660,192,000) Senior Notes in total, of which US$75,580,000 (HK$589,524,000) and US$9,060,000 (HK$70,668,000) of the Senior Notes have been cancelled on 18 February 2009 and 20 February 2009, respectively. The gain from this Senior Notes repurchased was HK$93,667,000. The outstanding principal amount of the Senior Notes immediately following such cancellations has been reduced from US$400,000,000 (HK$3,120,000,000) to US$315,360,000 (HK$2,459,808,000).

LIQUIDITY, FINANCIAL RESOURCES, CHARGES ON ASSETS AND GEARING

The Group finances its operations largely through internally generated resources, term loans and trade finance facilities provided by banks in Hong Kong, Singapore and Mainland China. As at 31 December 2008,

a) The Group had:

- Cash and bank balances of HK$351 million (2007: HK$1,514 million), pledged deposits and restricted cash of HK$230 million (2007: HK$597 million). These were comprised of:

  — an equivalent of HK$303 million (2007: HK$1,213 million) denominated in US dollars

  — an equivalent of HK$12 million (2007: HK$11 million) denominated in Singapore dollars

  — an equivalent of HK$262 million (2007: HK$874 million) denominated in RMB

  — HK$4 million (2007: HK$13 million) in Hong Kong dollars

- Interest-bearing bank loans of HK$1,781 million (2007: HK$3,060 million), of which HK$227 million (2007: HK$1,698 million) were floating rate loans denominated in US dollars. HK$625 million of the Group's bank loans at 31 December 2008 had maturities within one year.

b) The Group's banking and other facilities were secured or guaranteed by:

- Cash deposits of HK$178 million (2007: HK$597 million)

- Deposit held in a collateral account which was released in the current year (2007: HK$14 million)

- Vessels with an aggregate net carrying value of HK$928 million (2007: HK$1,626 million)

- Prepaid land/seabed lease payments with an aggregate net carrying value of HK$901 million (2007: HK$372 million)

- Oil storage facilities with an aggregate net carrying value of HK$539 million (2007: HK$490 million)

- Construction in progress with an aggregate value of HK$145 million (2007: HK$151 million)

- Inventories with a carrying value of HK$872 million as at 31 December 2007 and no such pledges as at 31 December 2008

- Several pieces of land owned by related companies

- Personal guarantees executed by a director of the Company

- Corporate guarantees executed by the Company

- Corporate guarantee executed by a related company

c) The fixed rate guaranteed senior notes of HK$2,622 million (2007: HK$3,135 million) were secured by the shares of certain subsidiaries.

d) The Group had:

- Current assets of HK$2,189 million (2007: HK$5,531 million). Total assets of HK$8,999 million (31 December 2007: HK$12,775 million)

- Total bank loans of HK$1,781 million (2007: HK$3,060 million)

- Finance lease payables of HK$1 million (2007: HK$1 million)

- Fixed rate guaranteed senior notes of HK$2,622 million (2007: HK$3,135 million)

- Convertible preferred shares as non-current liability to the extent of the liability portion of HK$573 million (2007: HK$502 million)

- Notes payable of HK$195 million (2007: Nil)

The Group's current ratio was 1.03 (2007: 1.37). The gearing of the Group, calculated as the total bank loans, finance lease payables, fixed rate guaranteed senior notes and notes payable to total assets, has increased to 0.51 (2007: 0.49).

e) The Group operates in Hong Kong, Singapore and Mainland China. As its business contracts are mostly settled in US dollars and its reporting currency is Hong Kong dollars, the directors consider that the Group has no significant exposure to foreign exchange, except for currency translation risks on the net assets in foreign operations, in particular in Mainland China. During the year, the Group terminated its interest rate swap contract and, as a result of the discontinued operation, oil trading, the Group has not entered into any oil price swap contracts. The Group did not use any financial instruments for speculative purposes.

CONTINGENT LIABILITIES

At 31 December 2008, the banking facilities granted to certain subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of HK$306 million (2007: HK$2,674 million).

At 31 December 2008, no guarantee were outstanding by the Company to suppliers in connection with the oil trading business and, therefore, there was no utilised amount. At 31 December 2007, HK$172 million guarantee was utilised by a subsidiary of the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the Group had approximately 972 employees, of which approximately 849 employees working in Mainland China, and 123 employees based in Singapore and Hong Kong. Remuneration packages, including basic salaries, bonuses and benefits-in-kind, are structured by reference to market terms and individual merit and are reviewed on an annual basis based on performance appraisals. Share options were also granted to certain employees of the Group during the year.

MODIFIED AUDITORS' OPINION

The auditors' report on the Group's financial statements for the year ended 31 December 2008 contains a modified auditors' opinion which includes as follows:

"Without qualifying our opinion, we draw attention to matters described in note 2.1 to the financial statements in relation to the Group's capital and other commitments for the new shipyard facilities which require additional financing that has yet to be obtained. This condition indicates the existence of a material uncertainty in relation to the going concern of the Group and the Company at the balance sheet date."

For clarification, note 1.1 "Basis of Preparation" mentioned above is equivalent to note 2.1 to the financial statements of the Group.

DIVIDENDS

The Board of Directors does not recommend the declaration of a final dividend (2007: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2008, the Company purchased a number of its 8.5% guaranteed senior notes due in 2012 in the aggregate principal amount of US$66,824,000 (HK$521,227,200). The guaranteed senior notes are listed on the Singapore Stock Exchange.

Save as disclosed above, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining good corporate governance as to effectively oversee/guide operations and to enhance long term shareholder value, with an emphasis on having a quality board, transparency, independence and accountability. The Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices ("CG Code") contained in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the year, except for deviations as set out below.

As required under code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Following the senior management realignments announced on 3 January 2008, Mr. Tsoi Tin Chun, Chairman of the Board, also took up the role of the Group's Chief Executive. He is now responsible for and assumes full accountability to the Board for all Group's operations and performance. A new position, President of Corporate Office, has been set up to provide strategic and operational leadership for the Group. This position, together with the senior management team, assist the Chairman in managing the Group's day-to-day operations. The Board will periodically review the effectiveness of this arrangement and take any appropriate action should circumstance require.

Moreover, pursuant to code provision E.1.2 of the CG Code, the Chairman of the Board should attend the annual general meeting of the Company. Due to business meeting commitments overseas, Mr. Tsoi Tin Chun was unable to attend the annual general meeting of the Company held on 5 June 2008. Mr. Barry Cheung Chun Yuen, *JP*, the former Deputy Chairman of the Board, chaired the annual general meeting in accordance with the provisions of the Company's Bye-laws.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2008 and is of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and other reporting requirements, and that adequate disclosures have been made.

As at the date of this announcement, the Executive Directors are Mr. Tsoi Tin Chun and Mr. Patrick Wong Siu Hung and the Independent Non-executive Directors are Mr. John William Crawford, JP, Mr. Abraham Shek Lai Him, JP and Miss Maria Tam Wai Chu, JP.