Titan Petrochemicals Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1192)

Announcement of Results for the Year Ended 31 December 2009

FINANCIAL HIGHLIGHTS

HK$ Million

	2009	2008	Change %
Continuing Operations			
— Revenue	**2,005**	7,812	(74.3)
— Loss before tax	**535**	391	36.8
— EBITDA	**88**	378	(76.7)
Loss attributable to shareholders	**536**	1,601	(66.5)

BUSINESS HIGHLIGHTS:

- Floating Storage continues to provide steady income with 6 FSU in operation by year end
- China Terminals grow with rise in revenues by 188.8% and operating EBITDA by 201.9%
- Shipbuilding and Transportation severely affected by recessionary economic conditions
- Continuing asset rationalisation by disposing one single-hulled VLCC in 2009 to provide HK$167 million cash flow for the Group
- Bond Exchange Offer to strengthen Group's financial position

CHAIRMAN'S STATEMENT

As global markets started picking up the pieces in 2009 from the aftermath of the financial tsunami, many businesses were still affected by the contracting economy. Although it seemed like the worst was over by year end, business confidence remained weak and recovery uneven. Following our business restructuring and record losses in 2008, Titan has moved forward with a firm focus on our Storage and Shipyard businesses. However, with the exception of Floating Storage, all our core businesses are still in developmental stages. Under such conditions and as a result of other factors as set out below, Titan reported a net loss in 2009 of HK$535 million.

During the year, as freight rates saw their worst levels in decades, we were able to generate income for the Group from our single-hulled VLCC fleet by operating them as Floating Storage Units (FSU). We even added to the number of our FSU by the deployment of three more chartered-in VLCCs. The Group's single-hulled coastal tankers however, continued operating and made a loss in the severely depressed market, characterised by an over-supply of tonnage, dominated by double-hulled vessels. Our shipbuilding business was likewise hit by the severe downturn in the shipping market and recorded its first year of loss. In the meantime, we pressed on with the development of our Titan Quanzhou ship repair yard, confident that the eventual operation of this business will bring us the much needed stability in earnings for difficult economic times like these. On the other hand, oil prices remained relatively low, creating a 'contango' market, which benefited our China Terminals and Floating Storage business.

With the imminent 2010 phasing out of single-hulled tankers, the Group went ahead to dispose of its remaining VLCCs in a timely manner. We sold one VLCC for HK$167 million in 2009, and this has since been followed by sales of the remaining three in the first quarter of 2010 for a combined value of HK$371 million. While these resulted in net book losses of HK$138 million and HK$387 million in 2009 and 2010, respectively, the disposals helped the Group to increase its liquidity at a critical time.

As we reported a year ago, we are taking steps to actively manage our liabilities and in early 2009, the Group repurchased and cancelled its senior notes in the principal amount of US$17.82 million (HK$139 million), that produced a gain of US$12 million (HK$91 million). Concurrently, we have been working to restructure our outstanding debt, and in December 2009, the Group announced an Exchange Offer regarding the same notes. The Group also announced on 16 March 2010, an agreement to issue one billion new shares at HK$0.37 to a strategic investor. Subject to certain terms and conditions, the gross proceeds of HK$370 million will be used in funding the proposed Exchange Offer. To the extent that any proceeds of the Subscription are not used to fund the Exchange Offer, we expect to utilise such amount for working capital purposes.

RESULTS

The Group's revenue for the year 2009 was HK$2,005 million, which is an 81.9% decrease compared to 2008, and a 74.3% decrease from revenues from continuing operations in 2008.

The Group's operations continue to record a positive EBITDA of HK$88 million (2008: HK$378 million), which takes into account the loss on disposal of a vessel of HK$138 million (2008: HK$417 million) and gains from repurchases of the senior notes of HK$91 million (2008: HK$339 million).

The Group's net loss was HK$535 million for 2009 compared to the loss of HK$1,606 million, inclusive of losses from discontinued operations, for 2008. The Board has decided not to declare a dividend.

FINANCIAL RESOURCES

The Group's total cash position was HK$530 million at 31 December 2009 compared to HK$594 million twelve months ago. The cash is mainly being used for continued investments in the construction of projects in China and repayment of loans. The Group's gearing was 0.60 at the end of 2009, compared to 0.51 at the end of 2008.

BUSINESS REVIEW

Shipyard

Revenues for Titan Quanzhou Shipyard in 2009 from our shipbuilding operation, decreased 32.9% to HK$385 million. This was due to a near collapse in the shipping and shipbuilding markets that has led to no new shipbuilding orders. As a result, the Shipyard incurred a segment loss before interest expenses, tax, depreciation and amortisation (LBITDA) of HK$59 million, compared to a segment EBITDA of HK$82 million a year ago.

During the year, Titan delivered four vessels, all of which were 7,000 dwt bunker/transportation tankers. Another two chemical tankers have been delivered since early 2010 and currently, the shipyard is building two vessels for expected delivery later in the year.

Construction of the ship repair facility progressed during the year and we expect the earlier phase consisting of two larger dry docks and up to 1,000m of repair berths, to be ready for operation by the end of 2010.

Floating Storage (Offshore Storage)

FSU revenues increased by 5.4% to HK$510 million, while segment EBITDA decreased by 38.8% to HK$180 million. This was due to the temporary reduction of operational capacity as four of the vessels used for FSU operations went into dry-docking during the year.

To capture the favorable demand for FSU during the year, we added the deployment of three chartered-in VLCCs to expand our business. By the end of 2009, the Group was operating a total of six FSU with a total capacity of approximately 1.6 million tons or 1.433 million cubic meters.

China Terminals (Onshore Storage)

Overall, revenues from the China terminals increased threefold to HK$162 million compared to HK$56 million in 2008. Segment EBITDA also rose 201.9% correspondingly from HK$36 million to HK$108 million. The growth was mainly attributed to higher utilisation rates and increased capacity at our storage facilities in China.

Utilisation rate for the 12-month period for the 590,000 cubic meter Nansha Terminal Phase I & II fuel oil storage increased to 78% compared to 59% for the previous year. This was achieved despite a 44% increase in storage capacity over 2008.

The 125,300 cubic-meter chemical storage facility in Nansha received its first shipment in June 2009 and have been showing modest growth in utilisation as expected, in its initial months of operation. Overall utilisation rate of our Nansha Terminal based on the total 715,300 cubic meter capacity, on an annualised average was 74%.

Our Phase I Fujian Terminal, consisting of 90,000 cubic meters storage capacity for chemicals, also improved its utilisation rate from 43% to 67% during the year.

The first phase of Yangshan Petrochemical Terminal, near Shanghai, which consists of 420,000 cubic meters of oil storage started operations at the end of 2008. Well-received by international and domestic customers, the facility has seen a good start to its first full year of operation with an average utilisation rate of 73% in 2009.

Transportation and Distribution

Revenues from transportation in 2009 were HK$258 million, a decrease of 79.1% compared to 2008. The fall in revenues were due largely to the deployment of all of our VLCCs for FSU operations, leading to a significant reduction of total fleet capacity from 1.162 million dwt at the beginning of 2009 to 57,119 dwt at year end.

As a result, the Group derived its transportation revenues solely from the operations of its remaining single-hulled fleet of eight coastal tankers during the year. Operating conditions were extremely difficult for Titan as the excess supply of double-hulled tankers squeezed out the single-hulled vessels in what was already a shrinking market.

Subsequently, lower utilisation and depressed freight rates led to a segment LBITDA of HK$85 million for the year, compared to a segment EBITDA of HK$184 million in 2008.

As previously reported, we also sold one single-hulled VLCC in 2009 for a cash consideration of HK$167 million as part of our continued program of asset rationalisation, which has continued in 2010 with further sales of our remaining three VLCCs.

Excluding the discontinued trading operations, revenues in our distribution business declined by 87.4% to HK$690 million and reported segment EBITDA of HK$22 million, as compared to segment LBITDA of HK$11 million in 2008.

OUTLOOK

Since the global financial crisis, many ship owners have cancelled or deferred their shipbuilding plans. Although the market seems to be recovering a little from its bottom, prospects still remain uncertain. While the shipbuilding market remains soft with a scarcity of new orders, the ship repair market remains resilient and stable. This falls in line with our focus this year to continue construction of our ship repair facilities, with the target to commence ship repair operations by the end of 2010/early 2011.

Storage demand in the Singapore and Malaysia region is expected to remain relatively stable. After the disposal of three VLCCs in March 2010, Titan has still three VLCCs operating in the FSU operations. Recently, we chartered-in another VLCC, bringing this figure up to a total of four FSU we are currently operating.

Construction of the 100,000 dwt jetty for the Fujian Terminal continues and will be completed by the middle of this year. The Yangshan terminal near Shanghai is also progressing well, and we expect operations for its 600,000 cubic meter Phase II oil storage facility to start in the second half of 2010. In addition, we anticipate the 80,000 cubic meter fuel oil tanks for Nansha Phase II to be completed by year end. Hence, Titan's existing combined storage capacity of 1.225 million cubic meters will be increased to 1.905 million by the end of this year, which is still one-third of our eventual planned total capacity for all three terminals.

Utilisation for our chemical storage facilities at Nansha and Fujian have seen encouraging growth in recent months, bolstered by an increase of chemical imports in the Mainland. Using our competitive advantages — the superiority of our terminal facilities, efficient services, and improved customer knowledge — we will intensify our marketing efforts in 2010 to develop more businesses for our terminals, whilst pursuing higher utilisation and more term leases.

SUMMARY

Overall, the Group faces a challenging year ahead. With the recent sales of our last three VLCCs, we have limited assets remaining that can be easily disposed to realise their full value. Our operations as they now stand, while steadily producing income, remain relatively small in scale, and will struggle to produce sufficient cash flow to service our debt obligations and fulfill certain financial covenants.

As I have stated before, the development of the Shipyard and our China Terminals still require considerable funding over the next two years to realise our business plan. We will continue to work to secure the necessary financing for this. Nevertheless, the successful completion of the Exchange Offer is very critical to our future success and hence, this is our foremost and urgent priority for 2010. Once this is achieved, I am confident that our investments in stable business like onshore storage in China, ship repair and floating storage operations will pave the way for solid growth prospects for Titan and our shareholders in the future.

Tsoi Tin Chun
Chairman & Chief Executive

Hong Kong, 13 April 2010

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
CONTINUING OPERATIONS			
Revenue	2	**2,005,249**	7,812,382
Cost of sales		**(1,881,369)**	(7,366,700)
Gross profit		**123,880**	445,682
Other revenue		**141,115**	416,337
General and administrative expenses		**(278,153)**	(381,556)
Finance costs	5	**(382,739)**	(453,793)
Share of profits/(losses) of associates, net		**(1,393)**	9,130
Operating profit/(loss) from continuing operations		**(397,290)**	35,800
Losses on disposals of vessels, net		**(137,623)**	(416,618)
Restructuring expenses		**—**	(10,150)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	**(534,913)**	(390,968)
Tax	7	**(488)**	2,664
Loss for the year from continuing operations		**(535,401)**	(388,304)
DISCONTINUED OPERATION			
Loss for the year from the discontinued operation, oil trading	4(a)	**—**	(1,217,221)
LOSS FOR THE YEAR		**(535,401)**	(1,605,525)
Attributable to:			
Owners of the Company		**(536,087)**	(1,600,557)
Minority interests		**686**	(4,968)
		(535,401)	(1,605,525)
BASIC LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Continuing operations		**(HK8.24 cents)**	(HK5.92 cents)
Discontinued operation, oil trading		**—**	(HK18.80 cents)
Total		**(HK8.24 cents)**	(HK24.72 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	2009 *HK$'000*	2008 *HK$'000*
Loss for the year	**(535,401)**	(1,605,525)
Other comprehensive income		
Exchange differences on translation of foreign operations	**7,989**	108,204
Unwinding of cashflow hedges	**—**	5,812
Other comprehensive income for the year, net of tax	**7,989**	114,016
Total comprehensive loss for the year, net of tax	**(527,412)**	(1,491,509)
Attributable to:		
Owners of the Company	**(528,109)**	(1,486,541)
Minority interests	**697**	(4,968)
	(527,412)	(1,491,509)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**4,799,417**	4,287,826
Prepaid land/seabed lease payments		**985,707**	928,326
Licences	9	**34,899**	37,416
Goodwill	10	**1,086,197**	1,103,564
Interests in associates		**369,013**	264,724
Deposits for construction in progress		**118,196**	180,121
Other deposits		**9,150**	8,200
Total non-current assets		**7,402,579**	6,810,177
CURRENT ASSETS			
Bunker oil		**23,249**	33,782
Inventories		**407,869**	201,964
Accounts and bills receivable	11	**301,899**	224,215
Prepayments, deposits and other receivables		**424,198**	602,976
Contracts in progress		**356,970**	514,992
Pledged deposits and restricted cash		**171,706**	230,363
Cash and cash equivalents		**357,825**	351,404
		2,043,716	2,159,696
Assets of a disposal group classified as held for sale	4(b)	**—**	29,119
Total current assets		**2,043,716**	2,188,815
CURRENT LIABILITIES			
Interest-bearing bank loans		**761,466**	624,539
Accounts and bills payable	12	**217,708**	353,869
Other payables and accruals		**962,513**	1,089,042
Finance lease payables		**—**	403
Excess of progress billings over contract costs		**—**	8,294
Tax payable		**17,577**	16,795
		1,959,264	2,092,942
Liabilities of a disposal group classified as held for sale	4(b)	**—**	27,000
Total current liabilities		**1,959,264**	2,119,942
NET CURRENT ASSETS		**84,452**	68,873
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,487,031**	6,879,050

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT LIABILITIES			
Fixed rate guaranteed senior notes		**2,491,264**	2,621,813
Liability portion of convertible preferred shares		**645,106**	573,393
Notes payable	13	**185,336**	194,571
Liability portion of convertible unsecured notes	14	**68,265**	—
Interest-bearing bank loans		**2,201,043**	1,156,306
Finance lease payables		**—**	319
Deferred tax liabilities		**157,442**	157,367
Vessel deposit received		**2,500**	2,500
Total non-current liabilities		**5,750,956**	4,706,269
Net assets		**1,736,075**	2,172,781
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**65,625**	64,739
Equity portion of convertible preferred shares		**75,559**	75,559
Reserves		**1,068,425**	1,490,895
		1,209,609	1,631,193
Contingently redeemable equity in a jointly-controlled entity		**517,837**	517,837
Minority interests		**8,629**	23,751
Total equity		**1,736,075**	2,172,781

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 (the "HKICPA"), 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. All the assets and liabilities as at 31 December 2008 included in the disposal group held for sale, representing the oil trading operation, are 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.

Going concern basis

During the year ended 31 December 2009, the Group incurred a loss of HK$535,401,000 (2008: HK$1,605,525,000). In addition, the Group has HK$1,241,065,000 in capital and other commitments solely for further development of the new shipyard facilities to be built in several stages which require additional financing. 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) Continuing to diversify from single hulled vessels and maintaining a strategy to optimise usage of the remaining vessels by flexible deployment between the offshore storage and transportation operations;

2) Initiating measures to reduce financing costs through repurchases of its 8.5% senior notes and the proposed exchange offer and consent solicitation memorandum issued by the Company dated 7 December 2009 (as extended and as may be amended from time to time by Board approval) ("Exchange Offer") as set out in note 15(c);

3) Taking various ongoing cost control measures to reduce the costs of operations together with general and administrative expenses;

4) Continuing to utilise existing and seek new non-recourse project financing and capital financing arrangements to finance the development of the Group's projects in Mainland China. During the year, bank facilities for the development of the shipyard are partly in place and the Group issued a convertible note of US$20 million to Warburg Pincus for the development of the oil and chemical storage business in Mainland China as set out in note 14; and

5) After the end of the reporting period, the Company disposed of three vessels for a total cash consideration of US$47.5 million as set out in note 15(a) and part of the proceeds, together with the proceeds of the conditional issue of new shares described in note 15(b), will be applied towards funding the Exchange Offer.

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. On this basis, the consolidated financial statements do not include any adjustments relating to the carrying amounts 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 Company and its subsidiaries for the year ended 31 December 2009. 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 business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an 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 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments — Disclosures of Information About Segment Assets* (early adopted)
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue — Determining Whether an Entity is Acting as a Principal or as an Agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK (IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary*, which are effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKFRS 2 Amendments, HKFRS 7 Amendments, HKFRS 8, HKAS 1 (Revised) and HKAS 23 (Revised), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

(a) Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. As the Group has not entered into any share-based payment schemes with non-vesting conditions attached, the amendments have had no impact on the financial position or results of operations of the Group.

(b) Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurements and liquidity risks. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balances is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

(c) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision-maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14.

The Group has early adopted in these financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only be reported when those assets are included in measures that are used by the chief operating decision-maker.

(d) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in the income statement, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(e) HKAS 23 (Revised) *Borrowing Costs*

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard has had no impact on the financial position or results of operations of the Group.

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 and chemical storage services and gross income from shipbuilding. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

3. 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) shipbuilding; (b) provision of logistic services (including oil transportation, offshore oil storage and onshore oil and chemical storage); and (c) supply of oil products and provision of bunker refueling services. During the year ended 31 December 2008, the Group discontinued its oil trading operation as detailed in note 4.

Management monitors the results of its operating segments separately for the purposes of making decisions about resource allocations and performance assessments. Segment performance is evaluated based on reportable segment 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.

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.

					Provision of logistic services													
	Shipbuilding		Oil transportation		Offshore oil storage		Onshore oil and chemical storage		Supply of oil products and provision of bunker refueling services		Total continuing operations		Discontinued operation, oil trading		Adjustments and eliminations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	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	**385,434**	574,323	**257,643**	1,233,882	**509,939**	483,603	**162,258**	56,186	**689,975**	5,464,388	**2,005,249**	7,812,382	**—**	3,280,562	**—**	—	**2,005,249**	11,092,944
— Intersegment revenue	**—**	197,689	**—**	28,837	**—**	109,903	**881**	14,584	**92,623**	491,516	**93,504**	842,529	**—**	1,606,105	**(93,504)**[1]	(2,448,634)[1]	**—**	—
Total	**385,434**	772,012	**257,643**	1,262,719	**509,939**	593,506	**163,139**	70,770	**782,598**	5,955,904	**2,098,753**	8,654,911	**—**	4,886,667	**(93,504)**	(2,448,634)	**2,005,249**	11,092,944
Segment results	**(91,989)**	61,175	**(130,426)**	72,097	**87,421**	163,092	**60,778**	(1,791)	**19,547**	(19,883)	**(54,669)**	274,690	**—**	(1,190,139)	**—**	—	**(54,669)**	(915,449)
Adjusted for:																		
— Interest income and other revenue	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	3,771	**121,581**	379,962	**121,581**	383,733
— Other expenses	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(80,070)**	(174,189)	**(80,070)**	(174,189)
Share of profits/(losses) of associates, net	**—**	—	**—**	—	**—**	—	**(1,859)**	2,311	**466**	6,819	**(1,393)**	9,130	**—**	—	**—**	—	**(1,393)**	9,130
	(91,989)	61,175	**(130,426)**	72,097	**87,421**	163,092	**58,919**	520	**20,013**	(13,064)	**(56,062)**	283,820	**—**	(1,186,368)	**41,511**	205,773	**(14,551)**	(696,775)
Add: Depreciation and amortisation	**32,850**	20,426	**45,816**	112,365	**92,221**	130,248	**49,163**	35,280	**1,901**	1,856	**221,951**	300,175	**—**	240	**18,044**	14,869	**239,995**	315,284
Operating EBITDA/ (LBITDA)	**(59,139)**	81,601	**(84,610)**	184,462	**179,642**	293,340	**108,082**	35,800	**21,914**	(11,208)	**165,889**	583,995	**—**	(1,186,128)	**59,555**	220,642	**225,444**	(381,491)
Losses on disposals of vessels, net	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(137,623)**	(416,618)	**(137,623)**	(416,618)
Restructuring expenses	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	(10,150)	**—**	(10,150)
EBITDA/(LBITDA)	**(59,139)**	81,601	**(84,610)**	184,462	**179,642**	293,340	**108,082**	35,800	**21,914**	(11,208)	**165,889**	583,995	**—**	(1,186,128)	**(78,068)**	(206,126)	**87,821**	(808,259)
Depreciation and amortisation	**(32,850)**	(20,426)	**(45,816)**	(112,365)	**(92,221)**	(130,248)	**(49,163)**	(35,280)	**(1,901)**	(1,856)	**(221,951)**	(300,175)	**—**	(240)	**(18,044)**	(14,869)	**(239,995)**	(315,284)
Finance costs	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	(30,889)	**(382,739)**	(453,793)	**(382,739)**	(484,682)
Profit/(loss) before tax	**(91,989)**	61,175	**(130,426)**	72,097	**87,421**	163,092	**58,919**	520	**20,013**	(13,064)	**(56,062)**	283,820	**—**	(1,217,257)	**(478,851)**	(674,788)	**(534,913)**	(1,608,225)

1. Intersegment revenues are eliminated on consolidation.

					Provision of logistic services									
	Shipbuilding		Oil transportation		Offshore oil storage		Onshore oil and chemical storage		Supply of oil products and provision of bunker refueling services		Total continuing operations		Discontinued operation, oil trading		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	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*
Other segment information																
Depreciation and amortisation	**32,850**	20,426	**45,816**	112,365	**92,221**	130,248	**49,163**	35,280	**1,901**	1,856	**221,951**	300,175	**—**	240	**221,951**	300,415
Unallocated depreciation and amortisation											**18,044**	14,869	**—**	—	**18,044**	14,869
											239,995	315,044	**—**	240	**239,995**	315,284
Capital expenditures	**579,789**	643,765	**4,351**	81,324	**88,297**	38,534	**444,707**	554,892	**9**	11,652	**1,117,153**	1,330,167	**—**	—	**1,117,153**	1,330,167
Unallocated capital expenditures											**335**	33,757	**—**	—	**335**	33,757
											1,117,488	1,363,924	**—**	—	**1,117,488**	1,363,924
Impairment/(reversal of impairment) of accounts and bills receivable	**—**	—	**388**	2,436	**(2,170)**	—	**—**	—	**602**	1,454	**(1,180)**	3,890	**—**	2,685	**(1,180)**	6,575
Unallocated impairment/ (reversal of impairment) of accounts and bills receivable											**765**	9,219	**—**	—	**765**	9,219
											(415)	13,109	**—**	2,685	**(415)**	15,794

Geographical information

	Mainland China		Other Asia Pacific countries		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(a) Revenue						
Revenue from external customers	**1,219,347**	2,366,373	**785,902**	8,726,571	**2,005,249**	11,092,944
Attributable to the discontinued operation, oil trading	**—**	—	**—**	(3,280,562)	**—**	(3,280,562)
Revenue from continuing operations	**1,219,347**	2,366,373	**785,902**	5,446,009	**2,005,249**	7,812,382
(b) Other information						
Segment non-current assets	**6,352,255**	5,393,752	**93,127**	100,734	**6,445,382**	5,494,486
Unallocated non-current assets					**957,197**	1,315,691
					7,402,579	6,810,177
Capital expenditures	**1,024,425**	1,223,947	**350**	10,066	**1,024,775**	1,234,013
Unallocated capital expenditures					**92,713**	129,911
					1,117,488	1,363,924
Impairment/(reversal of impairment) of accounts and bills receivable	**—**	9,231	**(415)**	6,563	**(415)**	15,794

The revenue information from continuing operations above is based on the location of the customers.

The other information above is based on the location of the assets and impairment of accounts and bills receivable recorded/reversed.

Information about major customers

Revenues from transactions with each external customer are less than 10% of the Group's total revenue.

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, thereby, discontinue its oil trading operations. As such, the Group adopted HKFRS 5 — *Non-current Assets Held for Sale and Discontinued Operations*.

On this basis, as at 31 December 2008, the assets and liabilities related to the discontinued operation, oil trading, were presented in the consolidated statement of financial position as "Assets of a disposal group classified as held for sale" and "Liabilities of a disposal group classified as held for sale" and the results for the year ended 31 December 2008 were presented separately on the consolidated income statement as "Loss for the year from the discontinued operation, oil trading".

(a) ***Income statement disclosures***

	Notes	2009 HK$'000	2008 HK$'000
Revenue		—	3,280,562
Cost of sales		—	(4,210,607)
Gross loss		—	(930,045)
Other revenue		—	22,478
General and administrative expenses*		—	(278,801)
Finance costs	5	—	(30,889)
Loss before tax		—	(1,217,257)
Tax	7	—	36
Loss for the year from the discontinued operation, oil trading		—	(1,217,221)

* In 2008, an impairment of goodwill arising from the discontinued operation, oil trading, of HK$217,640,000 was included in general and administrative expenses.

(b) ***Statement of financial position disclosures***

	2009 HK$'000	2008 HK$'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

(c) Statement of cash flows disclosures

	2009	2008
	HK$'000	*HK$'000*
Net cash flows used in operating activities	**—**	(304,257)
Net decrease in cash and cash equivalents	**—**	(304,257)
Cash and cash equivalents at beginning of year	**—**	316,550
Cash and cash equivalents at end of year	**—**	12,293

5. FINANCE COSTS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Interest on:		
Bank loans wholly repayable within five years	**57,016**	81,740
Bank loans not wholly repayable within five years	**78,222**	77,015
Other loan	**—**	1,009
Trust receipt loans, secured	**—**	28,941
Finance lease payables	**19**	58
Fixed rate guaranteed senior notes	**217,282**	263,383
Notes payable	**5,616**	2,637
Convertible unsecured notes	**6,002**	—
Dividends on convertible preferred shares:		
Titan preferred shares	**32,712**	30,505
Titan Group Investment Limited ("TGIL") preferred shares	**39,001**	41,266
Other finance costs	**315**	6,515
Total interest expenses	**436,185**	533,069
Less: Interest capitalised	**(53,446)**	(48,387)
	382,739	484,682
Attributable to continuing operations	**382,739**	453,793
Attributable to discontinued operation, oil trading	**—**	30,889
	382,739	484,682

6. LOSS BEFORE TAX

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Depreciation:		
Continuing operations	**233,590**	309,466
Discontinued operation, oil trading	**—**	240
Amortisation of prepaid land/seabed lease payments:		
Continuing operations	**3,888**	3,061
Amortisation of licences:		
Continuing operations	**2,517**	2,517
Bank interest income:		
Continuing operations	**(5,441)**	(22,808)
Discontinued operation, oil trading	**—**	(2,910)
Gains from repurchases of fixed rate guaranteed senior notes:		
Continuing operations	**(90,522)**	(339,174)

7. TAX

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:

	2009	2008
Hong Kong	**16.5%**	16.5%
Singapore	**17.0%**	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 current and prior year.

Singapore
Under Section 13A of the Singapore Income Tax Act, charter and freight income derived from certain Singapore incorporated subsidiaries whose vessels are all sea-going Singapore flagged ships is exempted from corporate income tax in Singapore. No provision for taxation has been made on the estimated assessable profits generated from charter and freight income during the current and prior year.

Mainland China
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, pursuant to which the PRC income tax rate thereby became unified to 25% for all enterprises. The State Council of the PRC passed an implementation guidance note ("Implementation Guidance") on 26 December 2007 which set out details of how existing preferential income tax rates were to 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	
	2009	2008
	HK$'000	*HK$'000*
Hong Kong:		
Underprovision in prior years	**1**	—
Elsewhere:		
Current charge/(credit) for the year	**678**	(2,309)
Overprovision in prior years	**(111)**	(4,248)
	567	(6,557)
Deferred taxation	**(80)**	3,857
	488	(2,700)
Tax charge/(credit) attributable to continuing operations	**488**	(2,664)
Tax credit attributable to discontinued operation, oil trading	**—**	(36)
	488	(2,700)

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the total consolidated loss for the year attributable to ordinary equity holders of the Company of HK$536,087,000 (2008: HK$1,600,557,000) represented by the loss from continuing operations of HK$536,087,000 (2008: HK$383,336,000) and the loss from the discontinued operation of HK$1,217,221,000 in the prior year, and the weighted average of 6,503,473,828 (2008: 6,473,829,476) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the earn-out shares, share options, warrants and convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

On 15 March 2010, the Company entered into the Subscription Agreement with a subscriber whereby the Company conditionally agreed to allot and issue, and the subscriber conditionally agreed to subscribe for 1,000,000,000 new shares at a price of HK$0.37 per subscription share to fund the Exchange Offer. Further details are disclosed in a circular dated 26 March 2010 and as set out in note 15(b).

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

In the current year, the decrease in goodwill was attributable to the disposal of the 80% equity interest in Shenzhen Donger Petroleum & Chemicals Co., Ltd. and impairment on the goodwill arising from the acquisition of oil transportation services.

As at 31 December 2009, except for the goodwill arising from the acquisition of the oil transportation services, no impairment provisions have been made against the goodwill arising from the acquisitions of the oil supply business, onshore oil and chemical storage businesses or the shipbuilding/ship repair businesses.

11. ACCOUNTS AND BILLS 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 and bills receivable relate to a large number of diversified customers, there are no significant concentrations of credit risk. Accounts and bills receivable are non-interest-bearing.

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
1 to 3 months	**57,281**	126,616
4 to 6 months	**95,592**	60,534
7 to 12 months	**49,695**	24,231
Over 12 months	**99,331**	12,834
	301,899	224,215

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 end of the reporting period, based on the date of receipt of goods purchased, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
1 to 3 months	**125,135**	260,985
4 to 6 months	**39,878**	67,827
7 to 12 months	**29,420**	15,408
Over 12 months	**23,275**	9,649
	217,708	353,869

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

13. NOTES PAYABLE

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 (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 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 the right to early redeem at the Applicable Redemption Amount in the event of a 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 engage the shipyard for certain future ship repair business. This agreement is for an initial term of ten years and can be renewed thereafter for successive five year terms.

The notes comprised a financial liability at amortised cost and embedded derivatives. As at 31 December 2009, the fair value of the embedded derivatives asset was HK$18,286,000 (2008: HK$3,435,000).

14. CONVERTIBLE UNSECURED NOTES

On 14 July 2009, the Company, Titan Oil Storage Investment Limited ("TOSIL"), Warburg Pincus and Titan Group Investment Limited ("China StorageCo") entered into an agreement by which TOSIL and Warburg Pincus became entitled to provide, pro rata to their shareholdings in China StorageCo, funding of up to HK$312.6 million (US$40.1 million) to China StorageCo through the subscription of China StorageCo's notes.

Interest accrues at 1% per annum, but if TOSIL does not exercise its option to subscribe for the notes, interest at 5% per annum will be charged from the date on which TOSIL's option to subscribe expires. The notes will mature five years after the date of issue. Holders of the notes are entitled to convert the whole of the notes into China StorageCo's shares at the initial conversion price of HK$1,953.90 (US$250.50), subject to adjustments at any time from the first anniversary of the date of issue.

On the same date, Warburg Pincus exercised its option to subscribe for China StorageCo's notes in the principal amount of HK$156 million (US$20 million). The fair values of the liability portion and embedded derivatives of China StorageCo's notes were estimated at the issuance date. The residual amount of HK$92.3 million of China StorageCo's notes was assigned as the equity portion and was included in the shareholders' equity of the Group.

The convertible unsecured notes comprised a financial liability at amortised cost and embedded derivatives. As at 31 December 2009, the fair value of the embedded derivatives liability was HK$348,000.

The above transaction constituted a possible major disposal and connected transaction and a possible discloseable transaction of the Company pursuant to Chapter 14 and 14A of the Listing Rules and further details are included in the Company's circular dated 25 August 2009.

15. EVENTS AFTER THE REPORTING PERIOD

a) Disposals of vessels

On 12 March and 16 March 2010, the Company entered into three separate agreements to dispose of three vessels to independent third parties for a total cash consideration of US$47.5 million (equivalent to approximately HK$370.5 million) which will result in an estimated aggregate loss of approximately US$49.6 million (equivalent to approximately HK$386.9 million).

These transactions constituted discloseable transactions of the Company pursuant to Chapter 14 of the Listing Rules and further details are included in the Company's announcements dated 12 March and 16 March 2010.

b) Conditional issue of new shares

On 15 March 2010, the Company entered into a subscription agreement with Universal Summit Holdings Limited ("USHL") whereby the Company conditionally agreed to allot and issue, and USHL conditionally agreed to subscribe for 1,000,000,000 new shares at a price of HK$0.37 per subscription share ("Subscription Agreement"). The subscription shares represent approximately 15.24% of the Company's existing issued share capital and approximately 13.22% of its issued share capital as enlarged by the subscription.

Further details in respect of the above are included in the Company's announcement dated 16 March 2010.

c) Exchange offer

The Company made an Exchange Offer on 7 December 2009, proposing to exchange any and all of its outstanding 8.5% senior notes properly tendered (and not validly withdrawn) for up to US$62,756,640 in aggregate principal amount of variable rate guaranteed senior notes due 2015 (the "New Notes"), up to 969,732,000 ordinary shares of the Company (the "New Shares") and a cash payment. The validity of the Exchange Offer has been extended to 5:00 p.m., New York City time, on April 29, 2010, unless further extended by the Company. As of the date of this announcement, the conditions precedent to the consummation of the Exchange Offer have not been met or waived.

The Company has been in discussions with an ad hoc group of holders of the existing 8.5% senior notes and may consider revising the Exchange Offer on terms that may be different from those currently offered.

As set out in note (b) above, pursuant to the terms of the Subscription Agreement, the proceeds of the subscription will be applied towards funding the Exchange Offer and moneys that may remain (if any) after the completion of the Exchange Offer for such other purposes as may be determined by the Company.

In addition, the Company intends to make available part of the proceeds of the disposals of its vessels, as set out in note (a) above, to fund the Exchange Offer or any revised offer, if made.

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 2009,

a) The Group had:

- Cash and bank balances of HK$358 million (2008: HK$351 million), pledged deposits and restricted cash of HK$172 million (2008: HK$230 million) from continuing operations. These were comprised of:

  — an equivalent of HK$98 million (2008: HK$303 million) denominated in US dollars

  — an equivalent of HK$4 million (2008: HK$12 million) denominated in Singapore dollars

  — an equivalent of HK$422 million (2008: HK$262 million) denominated in RMB

  — HK$6 million (2008: HK$4 million) in Hong Kong dollars

- Interest-bearing bank loans of HK$2,963 million (2008: HK$1,781 million), of which HK$72 million (2008: HK$227 million) were floating rate loans denominated in US dollars. HK$761 million of the Group's bank loans at 31 December 2009 had maturities within one year.

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

- Vessels with an aggregate net carrying value of HK$612 million (2008: HK$928 million) which were disposed of after the reporting period as set out in note 15(a)

- Construction in progress with an aggregate carrying value of HK$478 million (2008: HK$145 million)

- Bank balances and deposits of HK$82 million (2008: HK$178 million)

- Machinery with an aggregate net carrying value of HK$209 million (2008: Nil)

- Buildings with an aggregate net carrying value of HK$58 million (2008: Nil)

- Prepaid land/seabed lease payments with an aggregate net carrying value of HK$906 million (2008: HK$901 million)

- Storage facilities with an aggregate net carrying value of HK$1,059 million (2008: HK$539 million)

- Contracts in progress with an aggregate carrying value of HK145 million (2008: Nil)

- Several pieces of land owned by related companies in 2008 but it was released in 2009

- Corporate guarantees executed by the Company

- Personal guarantees executed by a director of the Company

- Corporate guarantee executed by a related company in 2008 but it was released in 2009

c) The fixed rate guaranteed senior notes of HK$2,491 million (2008: HK$2,622 million) were secured by the shares of certain subsidiaries.

d) The Group had:

- Current assets of HK$2,044 million (2008: HK$2,189 million). Total assets of HK$9,446 million (2008: HK$8,999 million)

- Total bank loans of HK$2,963 million (2008: HK$1,781 million)

- No finance lease payables were outstanding at 31 December 2009 (2008: HK$1 million)

- Fixed rate guaranteed senior notes of HK$2,491 million (2008: HK$2,622 million)

- Convertible preferred shares as non-current liability to the extent of the liability portion of HK$645 million (2008: HK$573 million)

- Notes payable as a non-current liability to the extent of the liability portion of HK$204 million (2008: HK$198 million)

- Convertible unsecured notes, issued during the year, as a non-current liability to the extent of the liability portion of HK$68 million

The Group's current ratio was 1.04 (2008: 1.03). The gearing of the Group, calculated as the total bank loans, finance lease payables, fixed rate guaranteed senior notes, notes payable and convertible unsecured notes to total assets, has increased to 0.60 (2008: 0.51).

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. The Group has not used any financial instruments for speculative purposes.

CONTINGENT LIABILITIES

At 31 December 2009, the banking facilities granted to certain subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of HK$111 million (2008: HK$306 million).

At 31 December 2009, a HK$39 million guarantee had been given by the Company to a supplier of a subsidiary of the Company in connection with the floating storage business but no amount had been utilised.

In 2009, certain subsidiaries of the Company (collectively the "Claimants") initiated arbitration proceedings against a ship management company for claims relating to certain ship management agreements (collectively the "Agreements"). The ship management company subsequently filed a defence and counterclaim submission in which it alleged that the Claimants repudiated the Agreements and that it has a counterclaim for damages. Based on a legal opinion by the Group's lawyers, there are no merits to the counterclaim by the ship management company and the Claimants have strong prospects of succeeding with their arguments. On this basis and given the status of the proceedings are still at a preliminary stage, the directors of the Company are of the view that no provision for the counterclaim is necessary at this stage.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2009, the Group had approximately 1,319 employees, of which approximately 727 employees were working in Mainland China, and 592 employees were 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. No share options were granted to 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 2009 contains a modified auditors' opinion which includes as follows:

"Without qualifying our opinion, we draw attention to note 2.1 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The Group incurred a loss of HK$535,401,000 during the year ended 31 December 2009. This condition, along with the Group's ability to obtain long-term financing facilities to refinance its capital projects and derive adequate operating cash flow from its ship repair operations, as set forth in note 2.1, indicate the existence of material uncertainties which may cast doubt about the Group's and Company's ability to continue as a going concern."

For clarification purposes, note 1.1 "Basis of Preparation" referred to above is the same as note 2.1 to the financial statements of the Group.

DIVIDENDS

The Board of Directors does not recommend the declaration of a final dividend (2008: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2009, the Company purchased a number of its 8.5% guaranteed senior notes due in 2012 in the aggregate principal amount of US$17,816,000 (approximately HK$138,965,000). 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 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 set out in 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 ended 31 December 2009, except for deviations 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. Currently, Mr. Tsoi Tin Chun, Chairman of the Board, also holds the position of the Group's Chief Executive. He is responsible for and assumes full accountability to the Board for all Group operations and performance. Although the role of Chairman and Chief Executive are performed by the same person, President of the Corporate Office, who provides strategic and operational leadership for the Group, together with the senior management team, assist the Chairman in managing the Group's day-to-day operations. The Board periodically reviews the effectiveness of this arrangement and will take any appropriate action should circumstances necessitate.

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 26 June 2009. Mr. Patrick Wong Siu Hung, the executive director of the Company, chaired the annual general meeting in accordance with the provision of the Company's Bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("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 directors, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the year.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2009 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.