Titan Petrochemicals Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1192)

Announcement of Results for the Year Ended 31 December 2010

FINANCIAL HIGHLIGHTS

HK$ Million

	2010	2009	Change %
Revenue	**2,111**	2,005	5.3
— Continuing Operations	**1,924**	1,620	18.8
— Discontinued Operation	**187**	385	(51.4)
Loss attributable to shareholders	**(581)**	(536)	8.4
— Continuing Operations	**(503)**	(430)	17.0
— Discontinued Operation	**(78)**	(106)	(26.4)

BUSINESS HIGHLIGHTS

- Our core business, China Terminals, has continued growth with rises in revenues by 23% and operating earnings before interest, tax, depreciation and amortisation (EBITDA) by 44.3%
- The Group is the first and only double-hulled Floating Storage Unit (FSU) operator in Malaysian waters
- The completion of bond exchange offer reduced the Group's long term debt by approximately HK$900 million and greatly improved the Group's cashflow and long term loan profile
- Sale of the shipyard further strengthen the Group's liquidity position and will generate additional free cashflow to fund the Group's operations and capital expenditure
- Rationalisation of the Group's fleet with all double-hulled vessels for the transportation business
- Introduction of two strategic partners, Moral Base Investment Limited and Grand China Logistics Holding (Group) Company Limited

CHAIRMAN'S STATEMENT

In the wake of the recent financial turmoil, global markets have managed to pick up slowly but surely. Our Storage business in China has continued to perform well with expanded capacity and improved utilisation although the shipping industry remained challenging with freight rates continuing to be low.

The Group realigned its business during the year by disposing of the Titan Quanzhou Shipyard ("Shipyard") and focusing on the Storage business which has been seeing stable revenue growth. Through our program for the conversion of the single-hulled fleet into double-hulled vessels, we became the first and only double-hulled FSU operator in Malaysian waters. We also managed to successfully raise funds, bring in strategic investors with a share placement, maintain our cashflow with the bond exchange offer, and overall improve our capital structure to enable us to successfully preserve capital and to continue growth in these difficult times.

At the end of 2010, the Group operated five FSU and commercially managed four others in Singapore and Malaysia. As reported previously, in compliance with the phasing out by the International Maritime Organization of most single-hulled tankers and to service the needs of our customers, we disposed of our remaining three single-hulled FSU in the first quarter of 2010 for a combined realised value of HK$370.5 million and we have upgraded and/or replaced most of our other single-hulled FSU into/with double-hulled FSU. Although the conversion and replacement process has been costly and has caused disruption to our operations, it has reduced the Group's exposure to single-hulled FSU. With the completion of upgrading and replacement, we are now the leading service provider in Malaysian waters operating the first double-hulled FSU.

Our Storage business continues to perform well despite the stagnant global oil demand. With the 600,000 cubic meters at Yangshan Terminal Phase II having come onstream in July 2010, together with the 203,000 cubic meters at Nansha Terminal Phase III and the 339,000 cubic meters at Fujian Terminal Phase II as well as its 100,000 dwt jetty which is expected to be fully operational in mid 2011, the combined capacity of these three terminals are expected to increase to 2.367 million cubic meters this year. We believe that continued growth of the Chinese economy offers significant opportunities for our storage segments over the medium and long term.

During the year, we made several breakthroughs to strengthen the Group's liquidity position and generate additional cashflow to fund the Group's operations and capital expenditure needs.

In July 2010, we successfully completed the bond exchange offer which facilitated in reduction of the Group's long term debt by approximately HK$900 million, and also extended the maturity of the Group's long term debt which allows us to preserve cashflow.

On 13 December 2010, we announced the sale of a 95% equity interest in the Shipyard to Grand China Logistics Holding (Group) Company Limited ("Grand China Logistics") for RMB1,866 million (approximately HK$2,175 million) and the issue of 500 million new ordinary shares of Titan at a price of HK$0.61 each to Grand China Logistics. Upon completion, with the disposal of the Shipyard and the net proceeds from the share placement, the Group will have reduced its debts significantly and provided capital for its China Terminals and future business development, i.e. allows the Group to consolidate its resources to support the growth of its existing core activities.

RESULTS

The Group's revenue for the year 2010 was HK$2,111 million, which is an 5.3% increase over 2009, and an 18.8% increase in revenue over continuing operations in 2009.

The Group's operations recorded losses before interest, tax, depreciation and amortisation (LBITDA) of HK$120 million, which takes into account the gains from the completion of the bond exchange offer and the losses from the disposals of vessels. This is in contrast to the EBITDA of HK$88 million in 2009.

The loss for the year was HK$580 million which reflects the fact that our core business is still in developmental stages.

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

FINANCIAL RESOURCES

The Group's cash position stood at HK$506 million as at 31 December 2010 compared to HK$530 million twelve months ago. Cash generated for the year was mainly used for the continued investments in the construction of the China projects and repayment of loans. The Group's gearing was 0.57 at the end of 2010, compared to 0.60 at the end of 2009.

BUSINESS REVIEW

Floating Storage Units (Offshore Storage)

At the end of 2010, the Group was operating five FSU with a total operating capacity of approximately 1.45 million tons or 1.59 million cubic meters, as compared to six FSU with approximately 1.6 million tons or 1.78 million cubic meters which operated in the same period last year. Revenue for the year was HK$514 million while results decreased to a segment LBITDA of HK$53 million due to the higher cost of chartering vessels and the disturbance of operational capacity during the year as a result of disposals and replacements. However, the timely completion of the conversion to double-hulled vessels will allow us to leverage the upside opportunities that may arise in the future.

Consistent with its goal to be a leading service provider, Titan has led other competitors and became the first and only operator to offer double-hulled FSU in Malaysian waters. In addition, two more FSU have received approval from Platts as its physical delivery point for fuel oil in Singapore. Now, with a total of four designated physical delivery points, it features Titan's quality service in the sector and highlights its leadership position in the market.

China Terminals (Onshore Storage)

The strategic locations, planned expansion and development of our three onshore storage terminals enable us to benefit from the current and anticipated growth in demand for storage and related services in China's oil and petrochemicals markets. Our storage facilities are well positioned to serve as key logistics points in China's expanding oil and petrochemicals supply chain.

Our onshore Storage business continued to gain momentum in 2010 with revenues from the China Terminals increasing 23% to HK$200 million compared to HK$162 million in 2009. Segment EBITDA correspondingly rose by 44.3% from HK$108 million to HK$156 million. The steady growth was mainly attributed to higher utilisation rates and increased capacity at our storage facilities in China, and also to the success of securing long-term leases from a diversified group of customers.

Although the annual utilisation rate of the Nansha Terminal Phases I & II fuel oil storage facility stood at 73%, a slight drop compared to 78% in the previous year, the monthly utilisation rate has rebounded to 97% as of the end of December 2010. In December 2010, we received approval from Shanghai Futures Exchange for an additional 50,000 cubic meters capacity in Nansha Terminal for its designated physical delivery storage capacity and, hence, the total designated physical delivery storage capacity is now 250,000 cubic meters, making Nansha Terminal the largest physical delivery storage facility for the settlement of the Exchanges' fuel oil futures contracts.

The 125,300 cubic meter chemical storage facility in Nansha achieved an average utilisation rate of 80% in 2010 since its commencement of operation in June 2009.

The overall utilisation rate, based on the total 715,300 cubic meters combined capacity of Phases I and II on an annualised average, is 74%, i.e. has been held at the same level as last year. Phase III with 203,000 cubic meters storage at our Nansha Terminal opened for trial operations in February this year.

At the Fujian Terminal, the annualised utilisation based on 90,000 cubic meters of Phase I chemical storage capacity, rose from 67% to 89% during 2010 as compared to the previous year. The average monthly utilisation rate marked a notable record of 100% in the second quarter of 2010. The Phase II 339,000 cubic meter product oil and fuel oil storage tank and the 100,000 dwt jetty are expected to commence operations in the middle of this year.

The total storage capacity of Shanghai Yangshan Terminal surged by 143% driven by the additional 600,000 cubic meters at its Phase II facility which started operations in July 2010 and raised the terminal's total oil storage capacity to 1,020,000 cubic meters. Although this is only the second year since its full operation, the monthly average utilisation rate improved from 73% to 97% during the year, a remarkable achievement in such a short period of operation.

Transportation and Supply/Distribution

The Transportation business recorded a loss in 2010 and revenues decreased by 30.7% to HK$178 million, compared to HK$258 million in 2009, with segment LBITDA having HK$114 million for the year. This was mainly due to the disruption of operations and the costs incurred during the process of the fleet upgrade including, but not limited to, the chartering costs, and also the poor freight market which continued to be challenging for the year.

In order to reduce its risk exposure as owners, Titan sold all its owned tankers and chartered in a VLCC, an Aframax and tankers thereby increasing the total fleet capacity from 57,119 dwt to 481,474 dwt as of the end of 2010. The additional tonnage now allows the Group to offer chemical as well as crude oil transportation services, which were not available in the past few years to our customers.

Revenues in our supply/distribution business rose by 49.5% to HK$1,032 million and reported segment EBITDA increased by 10.5% from HK$24 million to HK$26 million.

Shipyard

Although the Group has sold the Shipyard to Grand China Logistics in December 2010, Titan will continue to manage the business operations of the Shipyard for another two years in accordance with the original business plan. The repair business is well supported by the two partners – Grand China Logistics and Kawasaki Kisen Kaisha ("K Line") of Japan – in addition to strong interest indicated by major ship-owners. K Line is one of the world's largest ship-owners and has appointed the Shipyard as its primary ship repair provider in China. We believe that, with a quality management team, strong support from partners and its good geographical location, the Shipyard will continue to develop and grow.

We expect ship repair facility to be operational in the first half of 2011. A strong quality assurance system has been put in place and seasoned international management team in preparation for the launch of ship repair businesses. We are confident that the financial performance of the Shipyard, hence by, supporting continued operations and sustainable growth.

Following the above disposal, the Group will focus on developing its core Storage business with better allocation of its resources. We believe that the continued growth of the Chinese economy offers significant opportunities for our Storage business. In addition, our strategic collaboration with Grand China Logistics is in line with the Group's strategy to become the largest independent petrochemical storage operator in China as well as a first-class integrated petrochemical logistics service provider in the world. We are confident that we will be able to build on our strengths to grow in the Chinese and overseas markets and, thereby, bring in new profitable ventures to provide a solid platform for Titan's future growth.

OUTLOOK

We saw a marked improvement in the storage segment of our businesses in the second half of 2010, reflecting that the global economic environment is gradually recovering. While the Storage business remains the key of driving profitability, the Group will continue to have a flexible strategy in the recovery program ahead. Nevertheless, certain adverse factors such as freight rate fluctuations and excess shipping capacity may protract the difficult conditions in the shipping industry over the coming year.

The construction work on the China Terminals continues to proceed with more capacity rolling out this year. For Fujian Terminal, the 100,000 dwt jetty will be completed in 2011 and is expected to be operational by the middle of this year. Meanwhile, its 339,000 cubic meter Phase II oil storage facility is scheduled to commence operations in the middle of this year as well.

The Shanghai Yangshan Terminal is progressing well and we expect further capacity expansion for the oil storage facilities in 2011. Hence, Titan's combined storage capacity of 1.825 million cubic meters will be increased to 2.367 million cubic meters by the end of 2011. We will step up the Group's efforts to extend our reach into international customers for our terminals while still pursuing higher utilisation and more term leases.

Titan currently is the leading services provider with nine VLCCs for FSU operations or commercial management and will continue with the program of double-hulled FSU conversions. We will continue to work with customers who have a preferential demand for double-hulled FSU and attract term leases by offering flexible and tailored storage solutions in addition to competitive rates.

Shipyard is a well located, high quality and first-class infrastructure. Together with Titan's expertise in ship repair and ship building, we are confident that the Shipyard business will run smoothly and become a forefront in the industry upon full completion. Construction work is progressing and the early phases of ship repair facilities are expected to commence operations early this year.

SUMMARY

With the successful completion of the bond exchange offer and the sale of the Shipyard coupled with the share placement, the Group has been able to reduce its debt position while consolidating resources to pursue expansion of the China Terminals. Further increments in storage capacity and expansion of China Terminals will enable us to benefit from the current and anticipated growth in demand for oil products and chemical storage and related services in China. We believe such stable business will have significant prospects in the near future.

Apart from the cooperation in the Shipyard business, there are several complementary businesses we can work together with our strategic partner, Grand China Logistics. By sharing our business platform, resources and strengths in China and in international markets, it will be mutually beneficial to both parties to further expand our collaboration, which in turn, can build a solid foundation for Titan's future growth.

To continue to ride out the bumpy economy recovery, the Group will maintain a prudent approach to manage our key business assets and strengthen our core business. While gearing up for sustained growth, we will also continue to seek opportunities to create new synergies and bring optimum returns to all shareholders.

Tsoi Tin Chun
Chairman & Chief Executive

Hong Kong, 24 March 2011

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	2	**1,924,169**	1,619,815
Cost of sales		**(1,987,032)**	(1,446,762)
Gross profit/(loss)		**(62,863)**	173,053
Other revenue		**18,776**	48,546
Gains on restructuring/repurchases of fixed rate guaranteed senior notes	13	**476,495**	90,522
General and administrative expenses		**(229,268)**	(233,650)
Finance costs	5	**(273,943)**	(368,540)
Share of profits/(losses) of associates, net		**9,336**	(1,393)
Losses on disposals of vessels, net		**(446,649)**	(137,623)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	**(508,116)**	(429,085)
Tax	7	**6,076**	(488)
Loss for the year from continuing operations		**(502,040)**	(429,573)
DISCONTINUED OPERATION			
Loss for the year from discontinued operation, shipbuilding	4	**(78,348)**	(105,828)
LOSS FOR THE YEAR		**(580,388)**	(535,401)
Attributable to:			
Owners of the Company		**(580,800)**	(536,087)
Non-controlling interests		**412**	686
		(580,388)	(535,401)
BASIC LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Continuing operations		**(HK7.11 cents)**	(HK6.62 cents)
Discontinued operation, shipbuilding		**(HK1.11 cents)**	(HK1.62 cents)
Total		**(HK8.22 cents)**	(HK8.24 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Loss for the year	**(580,388)**	(535,401)
Other comprehensive income:		
Exchange differences on translation of foreign operations	**80,666**	7,989
Gain on acquisition of non-controlling interests of a subsidiary	**1,026**	—
Other comprehensive income for the year, net of tax	**81,692**	7,989
Total comprehensive loss for the year, net of tax	**(498,696)**	(527,412)
Attributable to:		
Owners of the Company	**(498,983)**	(528,109)
Non-controlling interests	**287**	697
	(498,696)	(527,412)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,745,611**	4,799,417
Prepaid land/seabed lease payments		**464,776**	985,707
Licences	9	**32,383**	34,899
Goodwill	10	**470,371**	1,086,197
Interests in associates		**330,647**	369,013
Deposits for construction in progress		**155,887**	118,196
Other deposits		**—**	9,150
Total non-current assets		**4,199,675**	7,402,579
CURRENT ASSETS			
Bunker oil		**48,196**	23,249
Inventories		**12,506**	407,869
Accounts and bills receivable	11	**81,424**	301,899
Prepayments, deposits and other receivables		**463,535**	424,198
Contracts in progress		**10,104**	356,970
Pledged deposits and restricted cash		**243,997**	171,706
Cash and cash equivalents		**182,280**	357,825
		1,042,042	2,043,716
Assets of a disposal group classified as held for sale	4	**4,275,495**	—
Total current assets		**5,317,537**	2,043,716
CURRENT LIABILITIES			
Interest-bearing bank loans		**801,061**	1,586,679
Notes payable	16	**191,341**	—
Accounts and bills payable	12	**205,421**	217,708
Other payables and accruals		**650,758**	962,513
Tax payable		**11,885**	17,577
		1,860,466	2,784,477
Liabilities of a disposal group classified as held for sale	4	**2,225,014**	—
Total current liabilities		**4,085,480**	2,784,477
NET CURRENT ASSETS/(LIABILITIES)		**1,232,057**	(740,761)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,431,732**	6,661,818

	Notes	**2010** **HK$'000**	2009 HK$'000 (Restated)
NON-CURRENT LIABILITIES			
Fixed rate guaranteed senior notes	13	**840,333**	2,491,264
Guaranteed senior convertible notes	14	**408,734**	—
Guaranteed senior payment-in-kind notes	15	**84,360**	—
Liability portion of convertible preferred shares		**719,331**	645,106
Notes payable	16	**—**	185,336
Liability portion of convertible unsecured notes	17	**83,081**	68,265
Interest-bearing bank loans		**1,506,873**	1,375,830
Deferred tax liabilities		**45,618**	157,442
Vessel deposit received		**—**	2,500
Total non-current liabilities		**3,688,330**	4,925,743
Net assets		**1,743,402**	1,736,075
EQUITY			
Equity attributable to owners of the Company			
Issued capital	18	**77,667**	65,625
Equity portion of convertible preferred shares		**75,559**	75,559
Reserves		**1,072,339**	1,068,425
		1,225,565	1,209,609
Contingently redeemable equity in a jointly-controlled entity		**517,837**	517,837
Non-controlling interests		**—**	8,629
Total equity		**1,743,402**	1,736,075

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 value. All the assets and liabilities as at 31 December 2010 included in the disposal group held for sale, representing the shipbuilding and building of ship repair facilities operations, were stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 4. 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 2010, the Group incurred a loss of HK$580,388,000. This condition raises 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 Group has realigned its businesses by disposing of its 95% equity interest in Titan Quanzhou Shipyard Co. Ltd ("QZ Shipyard") for a consideration of up to RMB1,865,670,000 (approximately HK$2,175,371,000) or a maximum reduced consideration of RMB1,465,670,000 (approximately HK$1,708,971,000) if QZ Shipyard's profit targets for the two years ending 31 December 2012 are not met. As of the date of this report, RMB380,000,000 (approximately HK$447,553,000) has been received. Concurrently, the Company has entered into a subscription agreement with the purchaser of QZ Shipyard whereby the Company has conditionally agreed to allot and issue, and the purchaser has conditionally agreed to subscribe for 500,000,000 new ordinary shares at a price of HK$0.61 per subscription share in the Company upon completion of the disposal of QZ Shipyard. As of the date of this report, the proposed disposal of QZ Shipyard had been duly approved by shareholders of the Company and the requisite approvals from the relevant authorities in Mainland China were obtained as set out in note 19(b). The completion of the registration of the transfer of equity interest to the purchaser has not yet been completed. Further details in relation to the above transactions are set out in note 4.

As a result of the above transactions, 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

Basis of consolidation from 1 January 2010
The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010
Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

(a) Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were 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 were recognised in goodwill.

(b) Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

(c) Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year financial statements:

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 included in *Improvements to HKFRSs 2009* and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of the subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendment most applicable to the Group is in respect of HKAS 7 *Statement of Cash Flows* which requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

(c) HK Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

HK Interpretation 5 clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Interpretation 5 for the first time in the current year. HK Interpretation 5 requires retrospective application. In order to comply with the requirements set out in HK Interpretation 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause by reclassifying them as current liabilities. In the past, the classification of such term loans was determined based on the agreed scheduled repayment dates set out in the loan agreements.

As a result, bank loans that contain a repayment on demand clause with an aggregate carrying amount of HK$825,213,000 have been reclassified from non-current liabilities to current liabilities as at 31 December 2009. The application of HK Interpretation 5 has had no impact on the classification of bank loans as at 1 January 2009 and 31 December 2010 because there were no bank loans as at 1 January 2009 and 31 December 2010, other than an aggregate carrying amount of HK$850,819,000 classified as held for sale as at 31 December 2010, containing a repayment on demand clause as defined in HK Interpretation 5. In addition, the application of HK Interpretation 5 has had no impact on the reported results for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities that reflect the remaining contractual maturities.

2. REVENUE

Revenue, which is also the Group's turnover, represents the gross income from oil and chemical storage services, gross freight income from the provision of oil transportation services, net invoiced value of oil products sold, after allowances for returns and trade discounts, income from the provision of bunker refueling 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) provision of logistic services (including offshore oil storage, onshore oil and chemical storage and oil transportation); and (b) supply of oil products and provision of bunker refueling services. During the year, the Group discontinued its shipbuilding 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						Supply of oil products and provision of bunker refueling services		Total continuing operations		Discontinued operation, shipbuilding		Adjustments and eliminations		Consolidated	
	Offshore oil storage		Onshore oil and chemical storage		Oil transportation											
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	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	**514,388**	509,939	**199,610**	162,258	**178,514**	257,643	**1,031,657**	689,975	**1,924,169**	1,619,815	**187,330**	385,434	**—**	—	**2,111,499**	2,005,249
— Intersegment revenue	**—**	—	**—**	881	**—**	—	**129,025**	92,623	**129,025**	93,504	**—**	—	**(129,025)[1]**	(93,504)[1]	**—**	—
Total	**514,388**	509,939	**199,610**	163,139	**178,514**	257,643	**1,160,682**	782,598	**2,053,194**	1,713,319	**187,330**	385,434	**(129,025)**	(93,504)	**2,111,499**	2,005,249
Segment results	**(89,093)**	99,577	**83,569**	60,778	**(146,187)**	(91,697)	**26,106**	21,574	**(125,605)**	90,232	**(68,138)**	(91,989)	**—**	—	**(193,743)**	(1,757)
Adjusted for:																
— Interest income and other revenue	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**617**	360	**482,779**	121,221	**483,396**	121,581
— Other expenses	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(154,034)**	(132,982)	**(154,034)**	(132,982)
Share of profits/(losses) of associates, net	**—**	—	**9,160**	(1,859)	**—**	—	**176**	466	**9,336**	(1,393)	**—**	—	**—**	—	**9,336**	(1,393)
	(89,093)	99,577	**92,729**	58,919	**(146,187)**	(91,697)	**26,282**	22,040	**(116,269)**	88,839	**(67,521)**	(91,629)	**328,745**	(11,761)	**144,955**	(14,551)
Add: Depreciation and amortisation	**36,325**	92,221	**63,268**	49,163	**31,867**	45,816	**165**	1,901	**131,625**	189,101	**36,784**	32,850	**12,818**	18,044	**181,227**	239,995
Operating EBITDA/(LBITDA)	**(52,768)**	191,798	**155,997**	108,082	**(114,320)**	(45,881)	**26,447**	23,941	**15,356**	277,940	**(30,737)**	(58,779)	**341,563**	6,283	**326,182**	225,444
Losses on disposals of vessels, net	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(446,649)**	(137,623)	**(446,649)**	(137,623)
EBITDA/(LBITDA)	**(52,768)**	191,798	**155,997**	108,082	**(114,320)**	(45,881)	**26,447**	23,941	**15,356**	277,940	**(30,737)**	(58,779)	**(105,086)**	(131,340)	**(120,467)**	87,821
Depreciation and amortisation	**(36,325)**	(92,221)	**(63,268)**	(49,163)	**(31,867)**	(45,816)	**(165)**	(1,901)	**(131,625)**	(189,101)	**(36,784)**	(32,850)	**(12,818)**	(18,044)	**(181,227)**	(239,995)
Finance costs	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(10,827)**	(14,199)	**(273,943)**	(368,540)	**(284,770)**	(382,739)
Profit/(loss) before tax	**(89,093)**	99,577	**92,729**	58,919	**(146,187)**	(91,697)	**26,282**	22,040	**(116,269)**	88,839	**(78,348)**	(105,828)	**(391,847)**	(517,924)	**(586,464)**	(534,913)

1. Intersegment revenues are eliminated on consolidation.

	Provision of logistic services						Supply of oil products and provision of bunker refueling services		Total continuing operations		Discontinued operation, shipbuilding		Consolidated	
	Offshore oil storage		Onshore oil and chemical storage		Oil transportation									
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	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	**36,325**	92,221	**63,268**	49,163	**31,867**	45,816	**165**	1,901	**131,625**	189,101	**36,784**	32,850	**168,409**	221,951
Unallocated depreciation and amortisation									**12,818**	18,044	**—**	—	**12,818**	18,044
									144,443	207,145	**36,784**	32,850	**181,227**	239,995
Capital expenditures	**101,736**	88,297	**480,582**	444,707	**133,948**	4,351	**15**	9	**716,281**	537,364	**815,678**	579,789	**1,531,959**	1,117,153
Unallocated capital expenditures									**339**	335	**—**	—	**339**	335
									716,620	537,699	**815,678**	579,789	**1,532,298**	1,117,488
Impairment/(reversal of impairment) of accounts and bills receivable	**1,451**	(2,170)	**—**	—	**1,933**	388	**—**	602	**3,384**	(1,180)	**—**	—	**3,384**	(1,180)
Unallocated impairment/ (reversal of impairment) of accounts and bills receivable									**157**	765	**—**	—	**157**	765
									3,541	(415)	**—**	—	**3,541**	(415)
Unallocated impairment of property, plant and equipment									**3,822**	—	**—**	—	**3,822**	—

Geographical information

	Mainland China		Other Asia Pacific countries		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(a) Revenue						
Revenue from external customers	**1,397,985**	1,219,347	**713,514**	785,902	**2,111,499**	2,005,249
Attributable to discontinued operation, shipbuilding	**(187,330)**	(385,434)	**—**	—	**(187,330)**	(385,434)
Revenue from continuing operations	**1,210,655**	833,913	**713,514**	785,902	**1,924,169**	1,619,815
(b) Other information						
Segment non-current assets	**4,008,935**	6,352,255	**51,627**	93,127	**4,060,562**	6,445,382
Unallocated non-current assets					**139,113**	957,197
					4,199,675	7,402,579
Capital expenditures	**1,296,275**	1,024,425	**375**	350	**1,296,650**	1,024,775
Unallocated capital expenditures					**235,648**	92,713
					1,532,298	1,117,488
Impairment/(reversal of impairment) of accounts and bills receivable	**—**	—	**3,541**	(415)	**3,541**	(415)
Impairment of property, plant and equipment	**—**	—	**3,822**	—	**3,822**	—

The revenue information 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, SHIPBUILDING

On 11 December 2010, the Company entered into (i) a sale and purchase agreement in relation to the disposal of its 95% equity interest in QZ Shipyard; (ii) a subscription agreement in relation to the issue of subscription shares to Grand China Logistics Holding (Group) Company Limited; and (iii) a management agreement in relation to the engagement of the Company to manage the business operations of QZ Shipyard for the term commencing from the completion of the sale and purchase agreement until 31 December 2012. The consideration for the proposed disposal is RMB1,865,670,000 (approximately HK$2,175,371,000) or a maximum reduced consideration of RMB1,465,670,000 (approximately HK$1,708,971,000) if QZ Shipyard's profit targets for the two years ending 31 December 2012 are not met. As such, the Group adopted HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* in respect of the disposal.

On this basis, as at 31 December 2010, the assets and liabilities related to the discontinued operation, shipbuilding and building of ship repair facilities, are 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 2010 are presented separately in the consolidated income statement as "Loss for the year from discontinued operation, shipbuilding".

The registration of the transfer of equity interests in QZ Shipyard to the purchaser is still in progress. The directors of the Company have assessed the profit projections for QZ Shipyard for the two years ending 31 December 2012 subsequent to the disposal, and expect the profit targets can be met under the management of the Group. Thus, the full amount of the consideration is expected to be received accordingly.

The results of QZ Shipyard for the year are presented below.

	Notes	**2010** **HK$'000**	2009 HK$'000
Revenue	2	**187,330**	385,434
Cost of sales		**(222,690)**	(434,607)
Gross loss		**(35,360)**	(49,173)
Other revenue		**1,128**	2,047
General and administrative expenses		**(33,289)**	(44,503)
Finance costs	5	**(10,827)**	(14,199)
Loss before tax		**(78,348)**	(105,828)
Tax	7	**—**	—
Loss for the year from discontinued operation, shipbuilding		**(78,348)**	(105,828)

The major classes of assets and liabilities of QZ Shipyard classified as held for sale as at 31 December 2010 are as follows:

	2010	2009
	HK$'000	HK$'000
Assets:		
Property, plant and equipment	**2,515,315**	—
Prepaid land/seabed lease payments	**513,827**	—
Goodwill	**570,618**	—
Inventories	**136,742**	—
Accounts and bills receivable	**285,719**	—
Prepayments, deposits and other receivables	**136,165**	—
Contracts in progress	**37,364**	—
Pledged deposits and restricted cash	**8,302**	—
Cash and cash equivalents	**71,443**	—
	4,275,495	—
Liabilities:		
Interest-bearing bank loans	**1,482,125**	—
Accounts and bills payable	**55,846**	—
Other payables and accruals	**574,863**	—
Deferred tax liabilities	**112,180**	—
	2,225,014	—
Net assets directly associated with the disposal group	**2,050,481**	—

The net cash flows incurred by QZ Shipyard are as follows:

	2010	2009
	HK$'000	HK$'000
Operating activities	**346,647**	(880,630)
Investing activities	**(785,629)**	(400,357)
Financing activities	**294,123**	1,450,830
Net cash inflow/(outflow)	**(144,859)**	169,843

5. FINANCE COSTS

	Group 2010 HK$'000	2009 HK$'000
Interest on:		
Bank loans wholly repayable within five years	**69,012**	57,016
Bank loans not wholly repayable within five years	**128,923**	78,222
Finance lease payables	**—**	19
Fixed rate guaranteed senior notes ("Senior Notes Due 2012")	**75,249**	217,282
Guaranteed senior convertible notes ("Convertible Notes Due 2015")	**16,472**	—
Guaranteed senior payment-in-kind notes ("PIK Notes Due 2015")	**4,288**	—
Notes payable ("K Line Notes Due 2013")	**6,003**	5,616
Convertible unsecured notes ("TGIL Notes Due 2014")	**14,817**	6,002
Dividends on convertible preferred shares:		
Titan preferred shares	**35,225**	32,712
Titan Group Investment Limited ("TGIL") preferred shares	**39,000**	39,001
Other finance costs	**10,818**	315
Total interest expenses	**399,807**	436,185
Less: Interest capitalised	**(115,037)**	(53,446)
	284,770	382,739
Attributable to continuing operations	**273,943**	368,540
Attributable to discontinued operation, shipbuilding (note 4)	**10,827**	14,199
	284,770	382,739

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting) the amounts as set out below. The disclosures presented in this note include those amounts charged/(credited) in respect of the discontinued operation, shipbuilding.

	Group 2010 HK$'000	2009 HK$'000
Depreciation	**174,226**	233,590
Amortisation of prepaid land/seabed lease payments	**4,485**	3,888
Amortisation of licences	**2,516**	2,517
Bank interest income	**(4,750)**	(5,441)

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:

	2010	2009
Hong Kong	**16.5%**	16.5%
Singapore	**17.0%**	17.0%
Mainland China	**25.0%**	25.0%

Hong Kong

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the current and prior year.

Singapore

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

Mainland China

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	
	2010	2009
	HK$'000	HK$'000
Hong Kong:		
Underprovision in prior years	**—**	1
Elsewhere:		
Current charge for the year	**455**	678
Overprovision in prior years	**(6,531)**	(111)
	(6,076)	567
Deferred taxation	**—**	(80)
Total tax charge/(credit) for the year, continuing operations	**(6,076)**	488

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$580,800,000 (2009: HK$536,087,000) represented by the loss from continuing operations of HK$502,452,000 (2009: HK$430,259,000) and the loss from discontinued operation, shipbuilding of HK$78,348,000 (2009: HK$105,828,000), and the weighted average of 7,068,392,864 (2009: 6,503,473,828) 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 2010 and 2009 in respect of a dilution as the earn-out shares, share options, Convertible Notes Due 2015, warrants and convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

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. They are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 20 years.

10. GOODWILL

In current year, the decrease in goodwill was attributable to the disposal of the Group's 30% interest in an associate classified under the onshore oil and chemical storage unit of HK$45,208,000 and reclassification of goodwill attributable to the shipbuilding and ship repair businesses to assets of a disposal group classified as held for sale of HK$570,618,000.

As at 31 December 2010, 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 and 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	
	2010	2009
	HK$'000	HK$'000
1 to 3 months	**49,957**	57,281
4 to 6 months	**6,081**	95,592
7 to 12 months	**8,214**	49,695
Over 12 months	**17,172**	99,331
	81,424	301,899

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	
	2010	2009
	HK$'000	HK$'000
1 to 3 months	**71,317**	125,135
4 to 6 months	**67,877**	39,878
7 to 12 months	**49,235**	29,420
Over 12 months	**16,992**	23,275
	205,421	217,708

Accounts and bills payable are non-interest-bearing.

13. FIXED RATE GUARANTEED SENIOR NOTES ("SENIOR NOTES DUE 2012")

On 17 March 2005, the Company issued the Senior Notes Due 2012 in the aggregate principal amount of US$400 million (equivalent to approximately HK$3,120 million) with directly attributable transaction costs of HK$90,709,000. The Senior Notes Due 2012 are due on 18 March 2012 with a lump sum repayment, unless redeemed earlier pursuant to specified terms. The Senior Notes Due 2012 bear interest at the rate of 8.5% per annum, payable semi-annually in arrears on 18 March and 18 September each year, commencing on 18 September 2005, and are listed on the Singapore Exchange Securities Trading Limited.

The Company entered into negotiations with certain holders of the Senior Notes Due 2012 in connection with an exchange offer and consent solicitations proposed on 8 December 2009 (7 December 2009, New York City Time) and revised on 23 April 2010 (22 April 2010, New York City Time). Eventually, on 9 June 2010 (8 June 2010, New York City Time), the Company made a final exchange offer to exchange any and all of its outstanding Senior Notes Due 2012 properly tendered (and not validly withdrawn) for up to US$118,575,360 (approximately HK$924,888,000) aggregate principal amount of Convertible Notes Due 2015, up to US$21,444,480 (approximately HK$167,267,000) aggregate principal amount of PIK Notes Due 2015 and a cash payment of approximately US$65,000,000 (approximately HK$507,000,000) (the "Final Exchange Offer").

The Final Exchange Offer was completed on the settlement date, 28 July 2010 (27 July 2010, New York City Time) (the "Settlement Date"). Accordingly, the transactions contemplated in the memorandum have been consummated. The aggregate principal amount of Senior Notes Due 2012 accepted for exchange by the Company on the Settlement Date was US$209,490,000 (approximately HK$1,634,022,000). The Company issued US$78,728,000 (approximately HK$614,078,000) aggregate principal amount of Convertible Notes Due 2015 and US$14,193,000 (approximately HK$110,705,000) aggregate principal amount of PIK Notes Due 2015, and paid US$43,154,940 (approximately HK$336,609,000) in cash, in exchange for the tendered Senior Notes Due 2012. As a result, the Company recognised a gain on the Final Exchange Offer of HK$476,495,000.

At 31 December 2010, the effective interest rate on the Senior Notes Due 2012 was 9.27% (2009: 9.27%) per annum. The outstanding principal and fair value of the Senior Notes Due 2012 at 31 December 2010 was US$105,870,000 (approximately HK$825,786,000) (2009: US$315,360,000 (approximately HK$2,459,808,000)) and US$66,698,000 (approximately HK$520,244,000) (2009: US$71,744,000 (approximately HK$559,606,000)), respectively.

14. GUARANTEED SENIOR CONVERTIBLE NOTES ("CONVERTIBLE NOTES DUE 2015")

As a result of the Final Exchange Offer detailed in note 13, the Company issued US$78,728,000 (approximately HK$614,078,000) aggregate principal amount of Convertible Notes Due 2015 on 28 July 2010 (27 July 2010, New York City Time) in exchange for tendered Senior Notes Due 2012.

The Convertible Notes Due 2015 are due on 13 July 2015 with a single repayment at 151.621% of its principal amount, unless earlier redeemed, repurchased or purchased by the Company or converted. The Convertible Notes Due 2015 bear no interest, and are listed on the Singapore Exchange Securities Trading Limited. Holders of the Convertible Notes Due 2015 are entitled to convert their Convertible Notes Due 2015 with a minimum principal amount of US$1,000 or integral multiples of US$500 in excess thereof based on an initial conversion rate of 10,915 conversion shares per US$1,000 in principal amount of Convertible Notes Due 2015, subject to adjustments. This implies an initial conversion price (subject to adjustments) of approximately US$0.0916 (approximately HK$0.7145) per conversion share. Conversion may occur on any day prior to (and including) the seventh business day prior to the maturity date of the Convertible Notes Due 2015.

Pursuant to the terms of the Convertible Notes Due 2015 indenture, the obligations of the Company under the Convertible Notes Due 2015 are guaranteed by certain subsidiary guarantors and a pledge of the subsidiary guarantors shares. Details of the principal terms of the Convertible Notes Due 2015 are more fully described in the Company's announcement dated 9 June 2010.

During the year, an aggregate principal amount of US$10,097,000 (approximately HK$78,757,000) were repurchased by the Company at an aggregate consideration of US$9,782,000 (approximately HK$76,299,000), resulting in a net loss on repurchases, after write off unamortised transaction costs, of HK$61,000.

In addition, during the year, an aggregate principal amount of US$16,680,000 (approximately HK$130,104,000) Convertible Notes Due 2015 was converted into 182,062,197 ordinary shares of HK$0.01 each in the Company at the conversion price of US$0.0916 (approximately HK$0.7145) per share.

The Convertible Notes Due 2015 comprise a financial liability at amortised cost and an embedded derivative. The effective interest rate on the Convertible Notes Due 2015 was 9.11% per annum. At 31 December 2010, the fair value of the embedded derivatives liability was HK$123,632,000.

At 31 December 2010, the outstanding principal and fair value of the Convertible Notes Due 2015 was US$51,951,000 (approximately HK$405,218,000) and US$50,285,000 (approximately HK$392,223,000), respectively.

15. GUARANTEED SENIOR PAYMENT-IN-KIND NOTES ("PIK NOTES DUE 2015")

As a result of the Final Exchange Offer detailed in note 13, the Company issued US$14,193,000 (approximately HK$110,705,000) aggregate principal amount of PIK Notes Due 2015 on 28 July 2010 (27 July 2010, New York City Time) in exchange for tendered Senior Notes Due 2012.

The PIK Notes Due 2015 are due on 13 July 2015 with a single repayment of the principal, unless earlier repurchased pursuant to the terms of the PIK Notes indenture. The PIK Notes Due 2015 bear interest at the rate of 8.5% per annum payable semi-annually in arrears commencing on 13 January 2011 either by cash or in the form of additional PIK Notes Due 2015, and are listed on the Singapore Exchange Securities Trading Limited.

Pursuant to the terms of the PIK Notes Due 2015 indenture, the obligations of the Company under the PIK Notes Due 2015 are guaranteed by certain subsidiary guarantors and a pledge of shares of such subsidiaries. Details of the principal terms of the PIK Notes Due 2015 are more fully described in the Company's announcement dated 9 June 2010.

During the year, an aggregate principal amount of US$3,539,500 (approximately HK$27,608,000) PIK Notes Due 2015 were repurchased by the Company at an aggregate consideration of US$3,448,000 (approximately HK$26,893,000), resulting in a net gain on repurchases, after write off unamortised transaction costs, of HK$43,000.

The PIK Notes Due 2015 is carried at amortised cost with an effective interest rate of 10.91% per annum. At 31 December 2010, the outstanding principal of the PIK Notes Due 2015 was US$10,653,500 (approximately HK$83,097,000).

16. NOTES PAYABLE ("K LINE NOTES DUE 2013")

The proposed disposal of QZ shipyard as mentioned in note 4 may trigger the early redemption clause under which Kawasaki Kisen Kaisha Ltd ("K Line") has the right to early redeem the notes at an amount equal to the greater of (i) 110% of the principal amount plus all accrued but unpaid interest; and (ii) the fair market value of 5.5% of the issued share capital of Titan TQSL Holding Company Ltd on a fully diluted basis in the event of a change of control.

As a result, K Line Notes Due 2013 become repayable on demand and are classified as current liabilities at 31 December 2010. The directors of the Company do not expect K Line has any intention to withdraw or recall their investment in QZ Shipyard and their K Line Notes Due 2013, because the Company continues to manage the business operation of QZ Shipyard subsequent to the disposal until the year ended 31 December 2012 as described in note 4.

17. CONVERTIBLE UNSECURED NOTES ("TGIL NOTES DUE 2014")

On 14 July 2009, the Company, Titan Oil Storage Investment Limited ("TOSIL"), Warburg Pincus and TGIL entered into an agreement by which TOSIL and Warburg Pincus became entitled to provide, pro rata to their shareholdings in TGIL, funding of up to HK$312.6 million (US$40.1 million) to TGIL through the subscription of TGIL Notes Due 2014. TOSIL is a wholly-owned subsidiary of the Company.

On the same date, Warburg Pincus exercised its option to subscribe for TGIL Notes Due 2014 in the principal amount of HK$156 million (US$20 million). The fair values of the liability portion and embedded derivative of the TGIL Notes Due 2014 were estimated at the issuance date. The residual amount of HK$92.3 million of TGIL Notes Due 2014 was assigned as the equity portion and was included in the shareholders' equity of the Group.

On 28 December 2010, the Company announced that the option period for TOSIL's option to subscribe for TGIL Notes Due 2014 was extended to 30 June 2011. On 13 January 2011, TOSIL exercised its right to subscribe for TGIL Notes Due 2014 in the principal amount of HK$156.6 million (approximately US$20.1 million) and the subscription was completed when the relevant TGIL Notes Due 2014 were issued on 21 January 2011.

The liability portion of TGIL Notes Due 2014 comprises a financial liability at amortised cost and an embedded derivative. As at 31 December 2010, the fair value of the embedded derivatives liability was HK$348,000 (2009: HK$348,000).

18. SHARE CAPITAL

On 24 May 2010, the Company entered into a subscription agreement with a subscriber under which the Company conditionally agreed to allot and issue, and the subscriber conditionally agreed to subscribe for 1,000,000,000 new ordinary shares at a price of HK$0.37 per new subscription share. The subscription of shares was completed on 23 July 2010. Further details in respect of the above are included in the Company's announcements dated 24 May 2010, 8 June 2010, 15 June 2010, 7 July 2010 and 23 July 2010 and a circular dated 31 May 2010.

During the year, Convertible Notes Due 2015 with an aggregate principal amount of US$16,680,000 (approximately HK$130,104,000) were converted into 182,062,197 ordinary shares of HK$0.01 each at the conversion price of approximately US$0.0916 (approximately HK$0.7145) per share.

During the year, 22,210,000 ordinary shares of HK$0.01 each were issued upon exercise of share options.

19. EVENTS AFTER THE REPORTING PERIOD

a) Subscription of TGIL Notes Due 2014

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

Further details in respect of the above are included in the Company's announcement dated 13 January 2011.

b) Disposal of QZ Shipyard

As described in note 4, the proposed disposal of QZ Shipyard had been duly approved by shareholders in a special general meeting held on 20 January 2011 and the requisite approvals from the relevant authorities in Mainland China were duly obtained. The proposed disposal has yet to be completed at the date of this report and will be completed upon registration of the transfer of the equity interests in QZ Shipyard.

Further details in respect of the above are included in the Company's announcement dated 20 January 2011.

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 2010,

a) The Group had:

- Cash and bank balances of HK$182 million (2009: HK$358 million), pledged deposits and restricted cash of HK$244 million (2009: HK$172 million) from continuing operations. These were comprised of:

  — an equivalent of HK$41 million (2009: HK$98 million) denominated in US dollars

  — an equivalent of HK$2 million (2009: HK$4 million) denominated in Singapore dollars

  — an equivalent of HK$380 million (2009: HK$422 million) denominated in RMB

  — HK$3 million (2009: HK$6 million) in Hong Kong dollars

- Interest-bearing bank loans of HK$2,308 million (2009: HK$2,963 million), of which HK$18 million (2009: HK$72 million) were floating rate loans denominated in US dollars. HK$801 million of the Group's bank loans at 31 December 2010 have maturities within one year.

b) The Group's banking and other facilities, including those classified as held for sale were secured or guaranteed by:

- Vessels with an aggregate net carrying value of HK$612 million in 2009 but such security was released in 2010

- Construction in progress with an aggregate carrying value of HK$716 million (2009: HK$478 million)

- Bank balances and deposits of HK$135 million (2009: HK$82 million)

- Machinery with an aggregate net carrying value of HK$194 million (2009: HK$209 million)

- Buildings with an aggregate net carrying value of HK$443 million (2009: HK$58 million)

- Prepaid land/seabed lease payments with an aggregate net carrying value of HK$945 million (2009: HK$906 million)

- Storage facilities with an aggregate net carrying value of HK$1,384 million (2009: HK$1,059 million)

- Contracts in progress with an aggregate carrying value of HK145 million in 2009 but such security was released in 2010

- Accounts receivables with an aggregate carrying value of HK$56 million (2009: Nil)

- Corporate guarantees executed by the Company

- Personal guarantees executed by a related party and a director of the Company

c) The Senior Notes Due 2012 of HK$840 million (2009: HK$2,491 million), the Convertible Notes Due 2015 of HK$409 million (2009: Nil) and the PIK Notes Due 2015 of HK$84 million (2009: Nil) were secured by the shares of certain subsidiaries.

d) The Group had:

- Current assets of HK$5,318 million (2009: HK$2,044 million) and total assets of HK$9,517 million (2009: HK$9,446 million)

- Total bank loans of HK$2,308 million (2009: HK$2,963 million)

- Senior Notes Due 2012 of HK$840 million (2009: HK$2,491 million)

- Convertible Notes Due 2015 as a non-current liability to the extent of the liability portion of HK$285 million issued during the year

- PIK Notes Due 2015 of HK$84 million issued during the year

- Convertible preferred shares as a non-current liability to the extent of the liability portion of HK$719 million (2009: HK$645 million)

- K Line Notes Due 2013 as a current liability to the extent of the liability portion of HK$210 million (2009: a non-current liability of HK$204 million)

- TGIL Notes Due 2014 as a non-current liability to the extent of the liability portion of HK$83 million (2009: HK$68 million)

The Group's current ratio was 1.30 (2009: 0.73). The gearing of the Group, calculated as the total bank loans, Senior Notes Due 2012, Convertible Notes Due 2015, PIK Notes Due 2015, K Line Notes Due 2013 and TGIL Notes Due 2014 to total assets, has decreased to 0.57 (2009: 0.60).

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 2010, the banking facilities granted to certain subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of HK$19 million (2009: HK$111 million).

At 31 December 2009, a guarantee of HK$39 million 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 and the guarantee was released during the year.

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. The proceedings were settled in the current year and the Group has no liabilities in relation to this case at 31 December 2010.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, the Group had approximately 1,301 employees, of which approximately 574 employees were working in Mainland China, and 727 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.

AUDITORS' OPINION

The auditors' report on the Group's financial statements for the year ended 31 December 2010 contains an emphasis of matter 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$580,388,000 during the year ended 31 December 2010. This condition, along with the collectability of the balance of the consideration to be received upon completion of the disposal of 95% equity interest in Titan Quanzhou Shipyard Co. Ltd, 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 (2009: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2010, the Company purchased a number of its Convertible Notes Due 2015 and PIK Notes Due 2015 (the "Notes") in an aggregate principal amount of US$10,097,000 (approximately HK$78,757,000) and US$3,539,500 (approximately HK$27,608,000), respectively. The 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 2010, 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 results. Although the role of Chairman and Chief Executive are performed by the same person, the 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 24 June 2010. 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 2010 and discussed the same with the external auditors 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; the Independent Non-executive Directors are Miss Maria Tam Wai Chu, JP, Mr. Abraham Shek Lai Him, JP and Mr. John William Crawford, JP.