Titan Petrochemicals Group Limited

(Provisional Liquidators appointed)

(Incorporated in Bermuda with limited liability)

(Stock Code: 1192)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

CHAIRMAN'S STATEMENT

In July 2012, under the situation of the Group's extreme deteriorating financial position, almost stagnant business operations, and successive material litigation issues, the board of directors (the "Board") of Titan Petrochemicals Group Limited (the "Company" or "Titan", together its subsidiaries, the "Group") and management sought to reorganise the Company with the support of a "white knight", Guangdong Zhengrong Energy Co., Ltd. ("GZE").

The Group faced liquidity issue arising from default payment of a transaction involving the Group's disposal of its equity interest in Titan Quanzhou Shipyard Co. Ltd. ("Titan Quanzhou Shipyard"), the purchaser failed to make residual payment which the Group had earmarked for debt repayment, and this triggered a chain effect. First, we defaulted in paying the fixed rate guaranteed senior notes which were due in March 2012 (the "Senior Notes Due 2012"), followed by successive defaults in other debt repayments and, eventually, this resulted in a winding-up petition against the Company filed by the creditors with the Supreme Court of Bermuda (the "Bermuda Court") in July 2012.

The Group's interest in Titan Group Investment Limited ("TGIL"), a joint venture with Saturn Storage Limited ("SSL") engaged in onshore petroleum product storage, was in jeopardy when SSL exercised its redemption rights under the convertible preferred shares (the "TGIL preferred shares") and convertible unsecured notes (the "TGIL Notes Due 2014") issued by TGIL. In July 2012, the Eastern Caribbean Supreme Court of the British Virgin Islands (the "BVI Court") ordered the liquidation of TGIL. This business is, therefore, now classified as one of the discontinued operations in the Annual Report.

As the shipyard operated by Titan Quanzhou Shipyard have been in prolonged litigation and with production suspended, which collectively result a loss of HK$2,400 million in 2012. As a result of the TGIL liquidation, the Group also suffered a loss of HK$1,100 million. These two principal operations, were the main contributors to the Group recording a significant loss of HK$4,000 million in aggregate in 2012, the details of which are explained in the Management Discussion and Analysis and discontinued operations section below.

In its seeking to rescue the Company, the key efforts undertaken by GZE to date include:

1. acquiring 45.47% of the issued share capital of the Company previously held by the Group's founding shareholder;

2. working actively with management on proposed financial plans to rescue the Company; and

3. introducing new business lines/products for the Group at appropriate time.

GZE's investment interest provided hope for the Group's recovery where it will benefit from its business connection on several fronts. Firstly, GZE is a player in energy and resources commodities trading, and project investment, the businesses which are highly similar to that of Titan's. Thus it is expected that GZE can provide strong support in operations to help Titan to rise from its difficulties stressed state. It will also leverage on the complementary advantages to achieve long-term cooperation and development, which is in the best interests of all stakeholders and creditors.

Facing severe financial and operational strains, the Company took a number of initiatives to strengthen its management, mitigate operational risks, and increase financial resources. These included:

1. Introduction of GZE and other investors to provide funding to the Group, which is subject to, among others, the dismissal of the winding-up petition in Bermuda and approval of a creditors' scheme of arrangement;

2. Reorganisation of the Board and management team to steer the Company with new perspectives;

3. Plans to restructure debt and equity status of the Group; and

4. Financial and operational reviews to improve cash flow management with a view to conserving productive assets and operations.

Outlook

Without doubt there are challenges and obstacles ahead. Firstly, we must smoothly complete the debt restructuring and, in this regard, the support of noteholders, creditors, shareholders, employees and other stakeholders is vital in putting the Company back on the road to recovery. Thereafter, we have to effectively resolve outstanding litigation matters, have the winding up petition against the Company struck out and resume trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). At the same time, we will proactively expand into the marine engineering equipment manufacturing sector and other energy related business areas to develop new business lines/products for the Company that are market competitive and have healthy growth potential.

Zhao Xu Guang
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 December 2012, the Group's revenue from continuing operations was HK$1,272 million, compared to HK$1,916 million in the previous year. The loss before tax from continuing operations remained at HK$482 million, compared to HK$481 million in 2011, while the loss for the year widened to HK$3,977 million, mainly comprised of the loss on early redemption for the TGIL preferred shares and the TGIL Notes Due 2014 amounted to HK$1,167 million, impairment on shipyard assets of HK$1,613 million, the loss before tax of HK$482 million from continuing operations due to deterioration on the offshore storage, transportation and supply of oil products and provision of bunker refueling services business segments and increased finance costs in the continuing operations.

In view of the Group's financial position, the Board proposed not to declare any dividend for the 2012 fiscal year.

Business Review

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

Continuing Operations

Floating Storage Units (Offshore Storage)

The Group provided oil storage, transit and blending services in Asia on a year round basis. Revenue from this business segment declined by 24% to HK$380 million compared to last year. The segment loss before interest, tax, depreciation and amortisation (the "LBITDA") increased to HK$58 million as compared to HK$50 million in the prior year.

During the year under review, the Group operated 7 floating storage units ("FSUs") and commercially managed one other in Singapore and Malaysia which enabled ship-to-ship operations with fully laden very large crude carriers (VLCCs) with a combined capacity of 2.5 million cubic meters. The Group was the first in Asia, and the only fleet to operate double-hulled FSUs with all units passing the inspections of oil companies and receiving valid SIRE reports.

Transportation

The Group offered transportation services for oil and petrochemical products to customers in the Southeast Asian regions during the year under review. Owing to volatile oil price fluctuations and the uncertain market status, revenue from this business segment decreased by 45% to HK$194 million compared to prior year. The segment LBITDA dropped to HK$79 million, down from HK$177 million in 2011.

Continuing Operations (Continued)

Supply of Oil Products and Provision of Bunker Refueling Services

The Group was engaged in the supply of oil products and provision of bunker refueling services and revenue from this business segment dropped by 35% to HK$698 million in 2012.

With a total capacity of 486,126 dwt, the Group operated 12 tankers and VLCCs in the first half of 2012. Despite the challenges from high bunker prices and competition from new emerging owners in Malaysia, China, and Vietnam, the Group continued to offer competitive and consistent quality services to clients and its vessels met all local and international requirements including those of the oil majors.

Discontinued Operations

Shipyard

The Group entered into a sale and purchase agreement for the disposal of its 95% equity interest in Titan Quanzhou Shipyard to Grand China Logistics Holding (Group) Company Limited ("Grand China Logistics") for RMB1,866 million (equivalent to approximately HK$2,175 million) in December 2010. This transaction, however, had not yet been completed as of 31 December 2012 as Grand China Logistics failed to comply with its payment obligations, so this business continues to be classified as "discontinued operation".

Due to the adverse shipbuilding market conditions, during the year, the revenue from the shipbuilding segment decreased by 86% to only HK$12 million, and segment LBITDA was HK$2,271 million as compared to segment LBITDA of HK$170 million in 2011.

China Terminals (Onshore Storage)

The Group, through TGIL, in the past operated one of the leading onshore storage terminals in China with aggregated capacity of over 2.7 million cubic meters at strategical locations along the coastline at Guangdong Nansha, Fujian Quanzhou, Shanghai Yangshan and Shandong Yantai. This business arm as stated elsewhere in the announcement, was under a liquidation petition in the year under review.

Revenue from the Onshore Storage business from China Terminals decreased by 60% to HK$77 million, and the segment LBITDA was HK$992 million as compared to segment earnings before interest, tax, depreciation and amortisation ("EBITDA") of HK$131 million in 2011. The declines were attributable to the deconsolidation of a jointly-controlled entity and revenue suffered from the continued volatile market in oil prices since mid-2011 which resulted in lower utilisation of the facilities and disruption to operation arising from the related litigation issues.

Liquidity, Financial Resources, Charges on Assets and Gearing

As at 31 December 2012, the Group net liabilities amounted to HK$3,139 million, compared to net assets of HK$1,107 million as at 31 December 2011.

The Group financed its operations mainly through internally generated resources, term loans and trade finance facilities provided by banks in Hong Kong, Singapore and Mainland China. As at 31 December 2012,

a) The Group had:

- Cash and bank balances of HK$124 million (2011: HK$221 million) of which HK$1 million (2011: HK$62 million) was from the discontinued operation in respect of shipbuilding segment; pledged deposits and restricted cash of HK$604 million (2011: HK$1,132 million) of which no pledged deposits and restricted cash (2011: HK$7 million) were from the discontinued operation respecting shipbuilding segment. These balances were comprised of:

  – an equivalent of HK$136 million (2011: HK$38 million) denominated in US dollars

  – an equivalent of HK$1 million (2011: HK$1 million) denominated in Singapore dollars

  – an equivalent of HK$529 million (2011: HK$1,313 million) of which HK$1 million (2011: HK$69 million) was from the discontinued operation, denominated in RMB

  – HK$4 million (2011: HK$2 million) in Hong Kong dollars

  – an equivalent of HK$58 million denominated in EURO

- Interest-bearing bank loans of HK$2,625 million (2011: HK$4,838 million), of which HK$2,440 million (31 December 2011: HK$2,338 million) was from discontinued operation of shipbuilding segment. Floating rate loans denominated in US dollars amounted to HK$6 million (2011: HK$544 million). The Group bank loans having maturities within one year amounted to HK$2,568 million (2011: HK$3,869 million) of which HK$2,383 million (2011: HK$2,259 million) related to discontinued operation in respect of shipbuilding segment.

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

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

- Construction in progress with an aggregate carrying value of HK$811 million (2011: HK$902 million)
- Bank balances and deposits of HK$578 million (2011: HK$1,065 million)
- Machinery with an aggregate net carrying value of HK$98 million (2011: HK$218 million)
- Buildings with an aggregate net carrying value of HK$454 million (2011: HK$480 million)
- Prepaid land/seabed lease payments with an aggregate net carrying value of HK$330 million (2011: HK$915 million)
- At 31 December 2011, storage facilities with an aggregate net carrying value of HK$1,563 million. As at 31 December 2012, no storage facilities were pledged to the Group's banking and other facilities due to the deconsolidation of a jointly-controlled entity
- Corporate guarantees executed by the Company
- Personal guarantees executed by a related party and a former director of the Company
- Certain Company shares owned by related parties of the Group

c) The Senior Notes Due 2012 of HK$892 million (2011: HK$845 million), the guaranteed senior convertible notes (the "Convertible Notes Due 2015") of HK$454 million (2011: HK$328 million) and the guaranteed senior payment-in-kind notes (the "PIK Notes Due 2015") of HK$92 million (2011: HK$84 million) were secured by the shares of certain subsidiaries.

d) The Group, including those assets of a disposal group classified as held for sale and liabilities directly associated with the assets classified as held for sale, had the following:

- Current assets of HK$3,443 million (2011: HK$6,438 million) and total assets of HK$3,472 million (2011: HK$10,623 million) of which HK$2,423 million (2011: HK$4,834 million) was from the discontinued operation of shipbuilding segment
- Total bank loans of HK$2,625 million (2011: HK$4,838 million) of which HK$2,440 million (2011: HK$2,338 million) was from the discontinued operation in respect of shipbuilding segment
- The Senior Notes Due 2012 of HK$892 million (2011: HK$845 million)

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

d) The Group, including those assets of a disposal group classified as held for sale and liabilities directly associated with the assets classified as held for sale, had the following: (Continued)

- The Convertible Notes Due 2015 of HK$454 million (2011: HK$328 million)

- The PIK Notes Due 2015 of HK$92 million (2011: HK$84 million)

- The convertible preferred shares issued by the Company (the "Titan preferred shares") with a liability portion of HK$392 million (2011: HK$363 million)

- The TGIL preferred shares were classified as a non-current liability of HK$399 million as at 31 December 2011, but were derecognised upon the deconsolidation of a jointly-controlled entity as at 31 December 2012

- Notes payable (the "K-Line Notes Due 2013") was classified as a current liability to the extent of the liability portion in the amount of HK$46 million (2011: HK$197 million)

- At 31 December 2011, the TGIL Notes Due 2014 were classified as a non-current liability to the extent of the liability portion in the amount of HK$93 million, but were derecognised upon the deconsolidation of a jointly-controlled entity as at 31 December 2012

- Loan from a shareholder of HK$10 million (2011: Nil)

e) The Group's current ratio was 0.52 (2011: 0.84). The gearing of the Group, calculated as the total bank loans, the Senior Notes Due 2012, the Convertible Notes Due 2015, the K-line Notes Due 2013, the PIK Notes Due 2015, the TGIL Notes Due 2014 and loan from a shareholder to total assets, increased to 1.19 (2011: 0.60).

f) The Group operated in Hong Kong, Singapore and Mainland China and primarily used US dollars for its businesses in Singapore, Renminbi for the business in Mainland China and Hong Kong dollars in Hong Kong for both income and expenses. Therefore, the Group's foreign currency exposures are minimal in view of the natural hedge between costs and revenues. The Group has not used any financial instruments for speculative purposes.

Employees and Remuneration Policies

As at 31 December 2012, the Group had 510 employees (2011: 1,140), of which 399 employees (2011: 509) worked in Mainland China, and 89 employees (2011: 609) were based in Singapore and 22 employees (2011: 22) were based in Hong Kong. Included in those working in Mainland China, 388 employees (2011: 494) were from Titan Quanzhou Shipyard. In addition, due to the deconsolidation of the jointly-controlled entity as a result of the appointment of joint and several liquidators on 17 July 2012 (BVI time) for onshore storage, there were no employee (2011: 399) in Mainland China. Remuneration packages, including basic salaries, bonuses and benefits-in-kind, were structured by reference to market terms and individual merit and are reviewed on an annual basis based on performance appraisals. No share options were granted to employees of the Group during the year.

Litigation

a) Bermuda Proceedings

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

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

The SPHL Petition was subsequently struck out by the Bermuda Court, and KTL Camden Inc. ("Camden") was substituted as the petitioner in place of SPHL upon its application to the Bermuda Court. Camden claimed that Titan Storage Limited, a subsidiary of the Company, failed to pay certain hiring charges to Camden pursuant to a bareboat charter party contract and that the Company was liable to Camden for such hiring charges plus interest thereon pursuant to a deed of guarantee issued by the Company in favour of Camden.

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

Litigation (Continued)

a) Bermuda Proceedings (Continued)

On 18 October 2013 (Bermuda time), the Bermuda Court ordered the appointment of two joint provisional liquidators to the Company with specified powers as set out in the announcement of the Company dated 22 October 2013. The Bermuda Court subsequently requested the Company to consult with and agree an extension of the powers of the joint provisional liquidators for the purpose of enabling the joint provisional liquidators to discharge their duties to properly advise the Bermuda Court on the feasibility of the restructuring proposals put forward by the Company.

The winding up petition by Camden were adjourned to 14 February 2014 (Bermuda time).

b) British Virgin Islands ("BVI") Proceedings

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

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

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

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

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

Litigation (Continued)

c) Hong Kong Proceedings

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

The Hong Kong Court subsequently, amongst other things, stayed the proceedings for a period of 90 days and the stay was subsequently extended until 15 March 2013.

On 15 November 2013, SSL was ordered by the Hong Kong Court to provide security in various sums for the defendants' costs of the proceedings. SSL has yet to comply with this order and the proceedings are presently stayed. The Hong Kong proceedings will continue in accordance with the rules of the Hong Kong Court or as otherwise ordered by the Hong Kong Court.

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

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

On 30 May 2012, 泰山石化(福建)有限公司 (Titan Petrochemicals (Fujian) Ltd*) ("Titan Fujian"), a wholly-owned subsidiary of the Company, received a summons issued by 上海市第一中級人民法院 (Shanghai No. 1 Intermediate People's Court) (the "Shanghai Intermediate Court") with Grand China Logistics as plaintiff and the Company, Titan Fujian and Titan TQSL Holding Company Ltd (泰山泉州船厂控股有限公司) ("Titan TQSL"), another wholly-owned subsidiary of the Company, as defendants. Grand China Logistics sought an order for, amongst other things, the termination of the sale and purchase agreement dated 11 December 2010 (as supplemented by the supplemental agreements thereto) among Titan TQSL, Titan Fujian, the Company and Grand China Logistics in respect of the sale and purchase of the Group's 95% equity interest in Titan Quanzhou Shipyard (the "GCL Sale and Purchase Agreement") and repayment to Grand China Logistics of the part payments in the aggregate amount of RMB740,000,000 together with accrued interest.

Litigation (Continued)

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

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

On 10 June 2013, the Company received a notification from Grand China Logistics dated 7 June 2013 informing the Company that it had entered into an assignment with GZE pursuant to which it would assign to GZE all of its interests, rights and obligations in respect of the GCL Sale and Purchase Agreement (the "Assignment") and, on the basis that none of the terms of the GCL Sale and Purchase Agreement would be changed as a result of the Assignment, the Company had no objection to the Assignment on 19 June 2013.

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

Proposed Debt Restructuring

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

a) the debt restructuring proposal will be implemented by way of a creditors' scheme of arrangement (the "Creditors' Scheme") and it is proposed that the following claims (the "Scheme Claims") will be recognised under the scheme:

    i) all indebtedness arising out of the Senior Notes Due 2012, the PIK Notes Due 2015 and the Convertible Notes Due 2015 (collectively, the "Existing Notes") (including principal and accrued interest); and

    ii) all liabilities arising out of the guaranteed notes issued by Titan Shipyard Holdings Ltd., recognised trade payables owed by the Company and recognised claims arising from amounts owed by subsidiaries within the Group which have been guaranteed by the Company;

Proposed Debt Restructuring (Continued)

b) pursuant to the Creditors' Scheme, holders of Scheme Claims will agree to settle their claims in exchange for:

   i) in the case of the holders of the Existing Notes, for every HK$1.00 of the amount of their claims arising under the Existing Notes:

      I) HK$0.10 in cash and HK$0.30 in new Shares to be issued by the Company at the same price per share as the initial conversion price of the Convertible Bonds to be issued by the Company under the Open Offer (the "Convertible Bonds"); or

      II) HK$0.20 in cash and HK$0.10 in new Shares to be issued by the Company at the same price per share as the initial conversion price of the Convertible Bonds and, if any holder of the Existing Notes fails to make a selection before a specified deadline to be agreed, the Company will, at its sole discretion, select one of the above options on behalf of that holder;

   ii) in the case of the holders of the unsecured claims, for every HK$1.00 of the amount of their claims, HK$0.10 in cash;

c) the new Shares to be issued by the Company to the holders of the Existing Notes under the Creditors' Scheme will be subject to a lock-up period of 12 months;

d) the completion of the Creditors' Scheme will be conditional upon certain conditions;

e) the Company will seek agreement with GZE, whereby the GCL Sale and Purchase Agreement in relation to Titan Quanzhou Shipyard is proposed to be terminated and the amount of RMB740 million, being part payment of the purchase price under the GCL Sale and Purchase Agreement, is proposed to be applied, towards a subscription by GZE for new Shares in the Company (the "Shipyard Settlement");

f) the cash portion of the Creditors' Scheme will be funded by an open offer (the "Open Offer") of convertible bonds in the principal amount of HK$0.05 for every one existing share held by the qualifiying shareholders (the terms of which are subject to finalisation) and the subscriptions of convertible bonds (the "CB Subscriptions") by New Berkeley Corporation, CGL Resources Limited and Wahen Investments Limited on substantially the same terms as the Open Offer (which are also subject to finalisation);

g) the Company, SPHL and GZE propose that the redemption notice in respect of the Titan preferred shares will be withdrawn and the Titan preferred shares will remain as part of the Company's capital structure on existing terms; and

h) the Creditors' Scheme, the Open Offer, the CB Subscriptions and the Shipyard Settlement will be inter-conditional upon each other and will all be conditional upon approval for resumption of trading in the Company's shares on the Stock Exchange.

Suspension of trading and listing status

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

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

a) the Company must demonstrate sufficient operations or assets under Rule 13.24 of the Listing Rules;

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

c) the Company must have the winding up petition against the Company withdrawn or dismissed and the provisional liquidators discharged.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	2	**1,272,127**	1,915,886
Cost of sales		**(1,395,162)**	(2,207,152)
Gross loss		**(123,035)**	(291,266)
Other revenue		**61,310**	51,287
Change in fair values of derivative financial instruments not qualifying as hedges		**157,763**	103,682
General and administrative expenses		**(330,369)**	(144,773)
Finance costs	5	**(247,846)**	(199,445)
Share of losses of associates		**–**	(99)
Loss before tax from continuing operations	7	**(482,177)**	(480,614)
Income tax credit/(expenses)	8	**7,854**	(5,716)
Loss for the year from continuing operations		**(474,323)**	(486,330)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	4	**(3,502,821)**	(297,002)
LOSS FOR THE YEAR		**(3,977,144)**	(783,332)
Attributable to:			
Owners of the Company		**(3,977,144)**	(783,332)
Non-controlling interests		**–**	–
		(3,977,144)	(783,332)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
From continuing and discontinued operations			
Basic per share		**(HK50.86 cents)**	(HK10.05 cents)
Dilute per share		**(HK50.86 cents)**	(HK10.05 cents)
From continuing operations			
Basic per share		**(HK6.07 cents)**	(HK6.24 cents)
Dilute per share		**(HK6.07 cents)**	(HK6.24 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
Loss for the year	**(3,977,144)**	(783,332)
Other comprehensive (loss)/income:		
Exchange differences on translation of foreign operations	**(30,473)**	161,931
Other comprehensive (loss)/income for the year, net of tax	**(30,473)**	161,931
Total comprehensive loss for the year, net of tax	**(4,007,617)**	(621,401)
Attributable to:		
Owners of the Company	**(4,007,617)**	(621,401)
Non-controlling interests	**–**	–
	(4,007,617)	(621,401)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**5,023**	2,960,620
Prepaid land/seabed lease payments		**24,361**	435,137
Licenses		**–**	21,133
Goodwill		**–**	434,571
Interests in associates		**–**	324,768
Deposits for construction in progress		**–**	8,273
Total non-current assets		**29,384**	4,184,502
CURRENT ASSETS			
Bunker oil		**–**	36,846
Inventories		**43,789**	2,891
Accounts receivable	*10*	**1,837**	83,501
Prepayments, deposits and other receivables		**247,089**	170,724
Amount due from a jointly-controlled entity		**–**	25,184
Pledged deposits and restricted cash		**604,489**	1,124,918
Cash and cash equivalents		**122,560**	159,782
		1,019,764	1,603,846
Assets of a disposal group classified as held for sale	*4*	**2,423,163**	4,834,243
Total current assets		**3,442,927**	6,438,089
CURRENT LIABILITIES			
Interest-bearing bank loans		**184,706**	1,609,849
Accounts and bills payable	*11*	**402,475**	469,839
Other payables and accruals	*12*	**1,236,530**	1,321,970
Amount due to a jointly-controlled entity		**–**	12,303
Fixed rate guaranteed senior notes	*13*	**891,871**	844,690
Guaranteed senior convertible notes	*14*	**453,971**	–
Guaranteed senior payment-in-kind notes	*15*	**92,236**	–
Liability portion of convertible preferred shares	*16*	**391,502**	363,176
Notes payable		**45,950**	197,464
Tax payable		**1,480**	18,458
Loan from a shareholder		**9,700**	–
		3,710,421	4,837,749
Liabilities directly associated with the assets classified as held for sale	*4*	**2,900,463**	2,843,577
Total current liabilities		**6,610,884**	7,681,326

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NET CURRENT LIABILITIES		**(3,167,957)**	(1,243,237)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(3,138,573)**	2,941,265
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		–	889,688
Guaranteed senior convertible notes	*14*	–	328,215
Guaranteed senior payment-in-kind notes	*15*	–	84,483
Liability portion of convertible preferred shares	*16*	–	398,932
Liability portion of convertible unsecured notes	*17*	–	92,901
Deferred tax liabilities		–	40,455
Total non-current liabilities		–	1,834,674
Net (liabilities)/assets		**(3,138,573)**	1,106,591
(DEFICIENCY IN ASSETS)/EQUITY			
(Deficiency)/equity attributable to owners of the Company			
Share capital	*18*	**78,206**	78,206
Equity portion of convertible preferred shares	*16*	–	75,559
(Deficits)/reserves		**(3,216,779)**	390,728
		(3,138,573)	544,493
Equity portion of convertible unsecured notes in a jointly-controlled entity	*17*	–	85,015
Contingently redeemable equity in a jointly-controlled entity	*16*	–	477,083
(Deficiency in assets)/total equity		**(3,138,573)**	1,106,591

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements of Titan Petrochemicals Group Limited (the "Company and its subsidiaries" collectively the "Group") have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial instruments, which have been measured at fair value. All the assets and liabilities as at 31 December 2012 included in the disposal group classified as held for sale, representing the shipbuilding and building of ship repair facilities operations, were stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Loss of access to books and records of the Group

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

1.1 GOING CONCERN BASIS

During the year ended 31 December 2012, the Group incurred losses of HK$3,977,144,000 and, as of that date, the Group had net current liabilities and net liabilities of HK$3,167,957,000 and HK$3,138,573,000 respectively. These conditions together with events set out below, indicate the existence of a material uncertainty which may cast significant effect on the Group's ability to continue as a going concern.

Legal proceedings in which the Group are involved are summarised below:

a) Proceedings

i) Bermuda proceedings

On 9 July 2012 (Bermuda time), Saturn Petrochemical Holdings Limited ("SPHL") served on the Company a petition (the "SPHL Petition") at the Supreme Court of Bermuda (the "Bermuda Court") for an order, amongst other things, to wind up and to appoint a provisional liquidator against the Company.

On 23 July 2013 (Bermuda time), the Bermuda Court ordered (i) the SPHL Petition be struck out, and the Company be awarded the costs of the SPHL Petition up to the date upon which the skeleton argument for the strike-out application was filed; (ii) KTL Camden Inc ("Camden") (the "Camden Petition") was allowed to be substituted as the petitioner in place of SPHL.

1.1 GOING CONCERN BASIS (Continued)

a) Proceedings (Continued)

i) Bermuda proceedings (Continued)

On 18 October 2013 (Bermuda time), the Bermuda Court ordered the appointment of Mr. Gath Calow and Ms. Alison Tomb, both of PricewaterhouseCoopers, as the joint provisional liquidators ("JPLs") of the Company with limited powers.

The hearing of the Camden Petition was adjourned to 14 February 2014 (Bermuda time), further details of which are set out in note 20(b).

ii) British Virgin Islands ("BVI") proceedings

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

On 17 July 2012 (BVI time), the Eastern Caribbean Supreme Court (the "BVI Court") ordered (the "Order") the liquidation of TGIL. This resulted to a loss of joint control over TGIL and its subsidiaries (collectively, the "TGIL Group"), further details of which are set out in notes 1.2 and 20(c).

b) Debt restructuring

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

The Company is in discussions with the Group's creditors and potential creditors as well as Guangdong Zhenrong Energy Co., Ltd. ("GZE"), CGL Resources Ltd. ("CGL Resources"), New Berkeley Corporation ("New Berkeley") and Wahen Investments Limited ("Wahen Investments") (collectively, the CB Subscribers) to devise a debt restructuring proposal for the Group. Further details of the debt restructuring proposal are set out in note 21.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed and that, following the financial restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue to operate as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

1.1 GOING CONCERN BASIS (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2012. 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.

Total comprehensive loss within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

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

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

1.2 DECONSOLIDATION OF A JOINTLY-CONTROLLED ENTITY

The joint control of the Company over the TGIL Group has been lost upon occurrence of the external restrictions and events during the year. Further details of the deconsolidation of a joint-controlled entity are set out in note 6.

Details of companies in the TGIL Group are set out below.

Jointly-controlled entity
TGIL

TGIL subsidiaries
Forever Fortune Holdings Limited
Fujian Titan Petrochemical Storage Development Co., Ltd. ("FJ Titan")
Guangzhou Nansha Titan Petrochemical Development Company Limited ("GZ Nansha")
Quanzhou Titan Petrochemical Terminal Development Co., Ltd. ("QZ Titan")
Sky Sharp Investments Limited
Titan Group Yangshan Investment Limited
Titan Group Yantai Investment Limited
Titan Investment Group Limited
Titan WP Storage Ltd.
Titan Group Nansha Investment Limited

TGIL associates
Guangzhou Xiaohu Petrochemical Terminal Co., Ltd
Yangshan Shen Gang International Oil Logistics Co., Ltd.

TGIL jointly-controlled entity
Yantai Titan Petrochemical Port Development Company Limited

1.2 DECONSOLIDATION OF A JOINTLY-CONTROLLED ENTITY (Continued)

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

1.3 RESTATEMENTS OF PRIOR YEAR FIGURES

In preparing the Company's financial statements for the year ended 31 December 2012, the Company has made a retrospective restatement in its statement of financial position as at 31 December 2011. The retrospective statement related to the omission of a financial guarantee contract provided by the Company to its subsidiary in the Company's statement of financial position. As a result, the financial guarantee contract liabilities of the Company have increased by HK$41,855,000 and the interest in subsidiaries of the Company have increased by the same amount.

A summary of the effects of the correction of the prior year retrospective statement on the Company's statements of financial position are disclosed below.

Statement of financial position as at 31 December 2011

	As previously reported	**Effect of correction in prior year**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*
Interests in subsidiaries	3,631,161	41,855	3,673,016
Financial guarantee contracts	8,549	41,855	50,404

1.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time in the current year financial statements.

HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*

The adoption of the above amendments has had no material impacts on these consolidated financial statements.

1.5 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
HKFRS 1 Amendments	Government Loans[2]
HKFRS 7 Amendments	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 10, HKFRS 12 and HKAS 27 Amendments	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 Amendments	Presentation of Items of Other Comprehensive Income[1]
HKAS 32 Amendments	Presentation – Offsetting Financial Assets and Financial Liabilities[3]
HKAS 36 Amendments	Recoverable Amount Disclosures for Non-Financial Assets[3]
HKAS 39 Amendments	Novation of Derivatives and Continuation of Hedge Accounting[3]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]
HK(IFRIC) – Int 21	Levies[3]

[1] *Effective for annual periods beginning on or after 1 July 2012.*
[2] *Effective for annual periods beginning on or after 1 January 2013.*
[3] *Effective for annual periods beginning on or after 1 January 2014.*
[4] *Effective for annual periods beginning on or after 1 January 2015.*

2. REVENUE

Revenue, under continuing operations, represents gross income from offshore storage services, gross freight income from the provision of transportation services, the net invoiced value of oil products sold (after allowances for returns and trade discounts) and income from the provision of bunker refueling services, while gross income from shipbuilding and onshore storage services are included under the revenue of discontinued operations as set out in note 4. 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 storage and transportation); and (b) supply of oil products and provision of bunker refueling services. In 2010, the Group classified its shipbuilding operation as being discontinued for the reason as detailed in note 4(a).

The joint control of the Company over the TGIL Group was lost during the year ended 31 December 2012 and, as a result, the Group discontinued its onshore operation as set out in note 4(b).

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.

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2012

	Provision of logistic services		Supply of oil products and provision of bunker refueling services	Continuing operations			Discontinued operations		
	Offshore storage	Transportation		Total	Shipbuilding	Onshore storage	Total	Unallocated and eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue									
– Revenue from external customers	380,378	193,689	698,060	1,272,127	12,217	77,360	89,577	–	1,361,704
– Intersegment revenue	–	–	108,927	108,927	–	–	–	(108,927)*	–
Total	380,378	193,689	806,987	1,381,054	12,217	77,360	89,577	(108,927)	1,361,704
Segment results	(115,131)	(87,783)	(59,567)	(262,481)	(2,348,227)	(57,460)	(2,405,687)	–	(2,668,168)
Adjusted for:									
– Interest income	–	–	–	–	373	657	1,030	19,582	20,612
– Other revenue	–	–	–	–	–	–	–	1,588	1,588
– Other expenses	–	–	–	–	–	–	–	(150,783)	(150,783)
Share of profits of associates	–	–	–	–	–	8,538	8,538	–	8,538
	(115,131)	(87,783)	(59,567)	(262,481)	(2,347,854)	(48,265)	(2,396,119)	(129,613)	(2,788,213)
Add: Depreciation and amortisation	56,977	9,043	435	66,455	76,891	40,861	117,752	11,230	195,437
Operating loss before interest, tax, depreciation and amortisation ("LBITDA")	(58,154)	(78,740)	(59,132)	(196,026)	(2,270,963)	(7,404)	(2,278,367)	(118,383)	(2,592,776)
Gain on deconsolidation of a jointly-controlled entity	–	–	–	–	–	182,293	182,293	–	182,293
Loss on early redemption									
– TGIL preferred shares	–	–	–	–	–	(1,013,937)	(1,013,937)	–	(1,013,937)
– TGIL Notes Due 2014	–	–	–	–	–	(152,985)	(152,985)	–	(152,985)
Change in fair values of derivative financial instruments not qualifying as hedges	–	–	–	–	–	–	–	157,763	157,763
(LBITDA)/Earnings before interest, tax, depreciation and amortisation ("EBITDA")	(58,154)	(78,740)	(59,132)	(196,026)	(2,270,963)	(992,033)	(3,262,996)	39,380	(3,419,642)
Depreciation and amortisation	(56,977)	(9,043)	(435)	(66,455)	(76,891)	(40,861)	(117,752)	(11,230)	(195,437)
Finance costs	–	–	–	–	(96,723)	(78,660)	(175,383)	(247,846)	(423,229)
Loss before tax	(115,131)	(87,783)	(59,567)	(262,481)	(2,444,577)	(1,111,554)	(3,556,131)	(219,696)	(4,038,308)

* *Intersegment revenue is eliminated on consolidation*

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2011

	Provision of logistic services		Supply of oil products and provision of bunker refueling services	Continuing operations			Discontinued operations		
	Offshore storage	Transportation		Total	Shipbuilding	Onshore storage	Total	Unallocated and eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Segment revenue									
– Revenue from external customers	497,450	351,460	1,066,976	1,915,886	89,021	192,126	281,147	–	2,197,033
– Intersegment revenue	–	–	224,117	224,117	–	–	–	(224,117)*	–
Total	497,450	351,460	1,291,093	2,140,003	89,021	192,126	281,147	(224,117)	2,197,033
Segment results	(133,791)	(191,779)	3,237	(322,333)	(207,899)	27,582	(180,317)	–	(502,650)
Adjusted for:									
– Interest income	–	–	–	–	137	9,379	9,516	25,928	35,444
– Other revenue	–	–	–	–	–	–	–	179	179
– Other expenses	–	–	–	–	–	–	–	(88,526)	(88,526)
Share of (losses)/profits of associates, net	–	–	(99)	(99)	–	22,877	22,877	–	22,778
	(133,791)	(191,779)	3,138	(322,432)	(207,762)	59,838	(147,924)	(62,419)	(532,775)
Add: Depreciation and amortisation	83,509	14,869	379	98,757	37,505	71,489	108,994	12,336	220,087
Operating (LBITDA)/EBITDA	(50,282)	(176,910)	3,517	(223,675)	(170,257)	131,327	(38,930)	(50,083)	(312,688)
Change in fair values of derivative financial instruments not qualifying as hedges	–	–	–	–	–	–	–	103,682	103,682
(LBITDA)/EBITDA	(50,282)	(176,910)	3,517	(223,675)	(170,257)	131,327	(38,930)	53,599	(209,006)
Depreciation and amortisation	(83,509)	(14,869)	(379)	(98,757)	(37,505)	(71,489)	(108,994)	(12,336)	(220,087)
Finance costs	–	–	–	–	(5,809)	(142,693)	(148,502)	(199,445)	(347,947)
(Loss)/profit before tax	(133,791)	(191,779)	3,138	(322,432)	(213,571)	(82,855)	(296,426)	(158,182)	(777,040)

* *Intersegment revenue is eliminated on consolidation*

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2012

	Provision of logistic services		Supply of oil products and provision of bunker refueling services	Continuing operations	Discontinued operations			
	Offshore storage	Transportation		Total	Shipbuilding	Onshore storage	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information								
Depreciation and amortisation	56,977	9,043	435	66,455	76,891	40,861	117,752	184,207
Unallocated depreciation and amortisation				11,230			–	11,230
				77,685			117,752	195,437
Capital expenditures*	5,473	–	1	5,474	205,331	57,901	263,232	268,706
Unallocated capital expenditures				230			–	230
				5,704			263,232	268,936
Impairment of accounts receivable	1,301	5,396	469	7,166	–	–	–	7,166
				7,166			–	7,166
Impairment of other receivables	12,838	3,036	18,983	34,857	107,013	–	107,013	141,870
Unallocated impairment of prepayments, deposits and other receivables				4,480			–	4,480
				39,337			107,013	146,350
Impairment of property, plant and equipment	40,047	–	–	40,047	935,293	–	935,293	975,340
Unallocated impairment of property, plant and equipment				2,112			–	2,112
				42,159			935,293	977,452
Impairment of goodwill	–	–	16,568	16,568	570,618	–	570,618	587,186
				16,568			570,618	587,186

* *Capital expenditure consists of additions to property, plant and equipments.*

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2011

	Provision of logistic services		Supply of oil products and provision of bunker refueling services	Continuing operations			Discontinued operations	
	Offshore storage	Transportation		Total	Shipbuilding	Onshore storage	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Other segment information								
Depreciation and amortisation	83,509	14,869	379	98,757	37,505	71,489	108,994	207,751
Unallocated depreciation and amortisation				12,336			–	12,336
				111,093			108,994	220,087
Capital expenditures*	109,784	9,770	2,023	121,577	498,887	392,584	891,471	1,013,048
Unallocated capital expenditures				2,299			–	2,299
				123,876			891,471	1,015,347
Reversal of impairment of accounts receivable	–	(412)	(33)	(445)	–	–	–	(445)
Unallocated reversal of impairment of account receivable				(223)			–	(223)
				(668)			–	(668)

* *Capital expenditure consists of additions to property, plant and equipments.*

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

	Mainland China		Other Asia Pacific countries		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)
a) Revenue						
Revenue from external customers	**770,361**	1,317,161	**591,343**	879,872	**1,361,704**	2,197,033
Attributable to discontinued operations						
– shipbuilding	**(12,218)**	(89,021)	**–**	–	**(12,218)**	(89,021)
– onshore storage	**(77,359)**	(192,126)	**–**	–	**(77,359)**	(192,126)
Revenue from continuing operations	**680,784**	1,036,014	**591,343**	879,872	**1,272,127**	1,915,886
b) Other information						
Segment assets	**672,048**	4,257,293	**377,100**	1,393,110	**1,049,148**	5,650,403
Unallocated assets					**–**	137,945
					1,049,148	5,788,348
Capital expenditures	**263,233**	893,665	**229**	2,128	**263,462**	895,793
Unallocated capital expenditures					**5,474**	119,554
					268,936	1,015,347
Impairment/(reversal of impairment) of accounts receivable	**469**	–	**6,697**	(668)	**7,166**	(668)
Impairment of prepayments, deposits and other receivables	**114,297**	–	**32,053**	–	**146,350**	–
Impairment of property, plant and equipment	**935,293**	–	**42,159**	–	**977,452**	–
Impairment of goodwill	**587,186**	–	**–**	–	**587,186**	–

The revenue information above is based on the location of the customers. The other information is based on the location of the assets and where the impairment of assets recorded/reversed were recorded.

Information about major customers

Revenues of HK$530,147,000 from customers reported under the supply of oil products and provision of bunker refueling services segment exceeded 10% of the Group's total revenue.

4. DISCONTINUED OPERATIONS

a) Shipbuilding – Titan Quanzhou Shipyard Co. Ltd. ("Titan Quanzhou Shipyard")

On 11 December 2010, the Company entered into a sale and purchase agreement with Grand China Logistics Holding (Group) Company Limited ("Grand China Logistics") in relation to the disposal of its 95% equity interest in Titan Quanzhou Shipyard at a consideration of RMB1,865,670,000 (equivalent to approximately HK$2,300,783,000) or a maximum reduced consideration of RMB1,465,670,000 (equivalent to approximately HK$1,807,495,000) if Titan Quanzhou Shipyard's profit targets for the two years ending 31 December 2012 were not met. Pursuant to a supplemental agreement signed in 2011, such net profit targets were cancelled and the consideration for the proposed disposal was fixed at RMB1,665,670,000 (equivalent to approximately HK$2,054,139,000).

While the requisite regulatory and shareholder's approvals for the first two stage payments totaling RMB800,000,000 were obtained, only RMB740,000,000 has been received to date and the equity interests in Titan Quanzhou Shipyard have not yet been transferred to Grand China Logistics.

On 30 May 2012, Grand China Logistics commenced legal proceedings against the Company, Titan TQSL Holding Company Ltd ("Titan TQSL") and Titan Petrochemicals (Fujian) Ltd ("Titan Fujian") to seek an order for, amongst other things the termination of the sale and purchase agreement and repayment of an aggregate of RMB740,000,000 (equivalent to approximately HK$918,304,000) referred to above together with accrued interest.

Subsequent to 31 December 2012 and as publicly announced by the Company, Grand China Logistics assigned all of its interests, rights and obligations in respect of the sale and purchase of the 95% equity interest in Titan Quanzhou Shipyard to GZE and 上海市第一中級人民法院 (Shanghai No.1 Intermediate People's Court) (the "Shanghai Intermediate Court") ordered discontinuation of proceedings. Further details are set out in note 20.

As at 31 December 2012 and 2011, the assets and liabilities related to the discontinued operation, shipbuilding and building of ship repair facilities, have been presented and, as a result, are presented in the consolidated statement of financial position as "Assets of a disposal group classified as held for sale" and "Liabilities directly associated with the assets classified as held for sale". The results for the years ended 31 December 2012 and 2011 are included in the consolidated income statement as "Loss for the year from discontinued operations".

b) Onshore storage – TGIL Group

As disclosed in note 1.2 of this announcement, the joint control of the Company over the TGIL Group had been lost during the year ended 31 December 2012. The results, assets and liabilities and cash flows of the TGIL Group were, therefore, deconsolidated from the financial statements of the Group during the year ended 31 December 2012. The results of the TGIL Group for the six months ended 30 June 2012 and the year ended 31 December 2011 are included in the consolidated income statement as "Loss for the year from discontinued operations" and details of the carrying amount of the deconsolidated assets and liabilities of the TGIL Group are disclosed in note 6.

4. DISCONTINUED OPERATIONS (Continued)

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

The combined results of Titan Quanzhou Shipyard and the TGIL Group for the year are presented below. The comparative loss and cash flows from the discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	Notes	**2012** ***HK$'000***	2011 *HK$'000* (Restated)
Revenue	*2*	**89,577**	281,147
Cost of sales		**(166,766)**	(301,887)
Gross loss		**(77,189)**	(20,740)
Other revenue		**3,862**	14,672
General and administrative expenses		**(718,406)**	(164,733)
Impairment of property, plant and equipment		**(935,293)**	–
Impairment of goodwill		**(570,618)**	–
Impairment of prepayments, deposits and other receivables		**(107,013)**	–
Finance costs	*5*	**(175,383)**	(148,502)
Share of profits of associates		**8,538**	22,877
Loss on early redemption			
– TGIL preferred shares		**(1,013,937)**	–
– TGIL Notes Due 2014		**(152,985)**	–
Gain on deconsolidation of a jointly-controlled entity	*6*	**182,293**	–
Loss before tax		**(3,556,131)**	(296,426)
Income tax credit/(expenses)		**53,310**	(576)
Loss for the year from discontinued operations		**(3,502,821)**	(297,002)

The major classes of assets and liabilities of Titan Quanzhou Shipyard classified as held for sale as at 31 December 2012 and 2011 are as follows:

	2012 ***HK$'000***	2011 *HK$'000*
Assets		
Property, plant and equipment	**2,020,624**	3,099,607
Prepaid land/seabed lease payments	**306,019**	516,477
Goodwill	**–**	570,618
Inventories	**43,688**	133,671
Accounts receivable	**–**	98,540
Prepayments, deposits and other receivables	**51,625**	142,362
Contracts in progress	**–**	203,876
Pledged deposits and restricted cash	**–**	7,466
Cash and cash equivalents	**1,207**	61,626
Assets of a disposal group classified as held for sale	**2,423,163**	4,834,243
Liabilities		
Interest-bearing bank loans	**2,439,924**	2,338,177
Accounts and bills payable	**88,335**	92,701
Other payables and accruals	**313,546**	300,519
Deferred tax liabilities	**58,658**	112,180
Liabilities directly associated with the assets classified as held for sale	**2,900,463**	2,843,577
Net (liabilities)/assets directly associated with the disposal group	**(477,300)**	1,990,666

4. DISCONTINUED OPERATIONS (Continued)

c) Financial information in respect of Titan Quanzhou Shipyard and the TGIL Group (Continued)

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

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Operating activities	**13,196**	(93,693)
Investing activities	**(225,506)**	(883,714)
Financing activities	**90,427**	913,903
Net cash outflow	**(121,883)**	(63,504)

5. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Interest on:		
Bank loans wholly repayable within five years	**129,373**	99,077
Bank loans not wholly repayable within five years	**150,243**	175,001
Fixed rate guaranteed senior notes ("Senior Notes Due 2012")	**47,181**	74,549
Guaranteed senior convertible notes ("Convertible Notes Due 2015")	**125,756**	52,754
Guaranteed senior payment-in-kind notes ("PIK Notes Due 2015")	**7,753**	7,842
Notes payable ("K-Line Notes Due 2013")	**6,249**	6,124
TGIL Notes Due 2014	**8,693**	17,149
Loan from a shareholder	**30**	–
Dividends on convertible preferred shares:		
Titan preferred shares	**28,326**	37,855
TGIL preferred shares	**16,655**	37,721
Other finance costs	**3,901**	5,841
Total interest expenses	**524,160**	513,913
Less: Interest capitalised	**(100,931)**	(165,966)
	423,229	347,947
Attributable to continuing operations	**247,846**	199,445
Attributable to discontinued operations	**175,383**	148,502
	423,229	347,947

6. DECONSOLIDATION OF A JOINTLY-CONTROLLED ENTITY

a) Gain on deconsolidation of a jointly-controlled entity

	HK$'000
Property, plant and equipment	**2,751,286**
Prepaid land lease payments	**425,068**
Goodwill	**414,955**
Interests in associates	**313,553**
Deposits for construction in progress	**4,044**
Inventories	**1,968**
Accounts receivable	**28,802**
Prepayments, deposits and other receivables	**22,852**
Amounts due from holding companies	**171,454**
Tax receivable	**28**
Pledged deposits and restricted cash	**15,886**
Cash and cash equivalents	**35,386**
Interest-bearing bank loans	**(1,846,772)**
Accounts payable	**(657)**
Amounts due to holding companies	**(164,249)**
Other payables and accruals	**(288,978)**
Liability portion of convertible preferred shares	**(1,426,535)**
Liability portion of convertible unsecured notes	**(410,484)**
Deferred tax liabilities	**(37,714)**
Net assets of TGIL Group attributable to the Group	**9,893**
Release of exchange fluctuation reserve	**234,524**
Gain on redemption of convertible unsecured notes of the Group	**119,074**
Impairment on amounts due from a deconsolidated jointly-controlled entity	**(161,412)**
Net assets of TGIL Group attributable to the Group	**(9,893)**
Gain on deconsolidation of a jointly-controlled entity	**182,293**

b) Net cash outflow arising on deconsolidation of a jointly-controlled entity:

Cash and cash equivalents of a deconsolidated jointly-controlled entity	**(35,386)**

7. LOSS BEFORE TAX

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

	2012	2011
	HK$'000	*HK$'000*
Cost of inventories sold	**922,287**	1,258,989
Cost of services rendered	**639,641**	1,250,050
Depreciation	**144,642**	205,266
Amortisation of prepaid land/seabed lease payments	**49,046**	3,571
Amortisation of licenses	**1,749**	11,250
Bank interest income	**(20,612)**	(27,885)

8. INCOME TAX CREDIT/(EXPENSES)

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:

	2012	2011
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.

8. INCOME TAX CREDIT/(EXPENSES) (Continued)

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Hong Kong:		
Current charge for the year	**–**	–
Elsewhere:		
Current (credit)/charge for the year	**(6,386)**	4,470
Underprovision in prior years	**1,103**	3,204
	(5,283)	7,674
Deferred taxation	**(2,571)**	(1,958)
Total tax (credit)/charge for the year	**(7,854)**	5,716

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

From continuing and discontinued operations

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

	2012	2011
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(3,977,144)**	(783,332)

	2012	2011
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**7,820,554,682**	7,798,175,987

Diluted loss per share for the years ended 31 December 2012 and 2011 were the same as basic loss per share.

No adjustments have been made to the basis loss per share amounts presented for the years ended 31 December 2012 and 2011 as the share options, the Convertible Notes Due 2015, warrants and convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

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

From continuing operations

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

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Loss for the year from continuing operations	**(474,323)**	(486,330)

From discontinued operations

Basic and diluted loss per share for discontinued operations is HK44.79 cents per share (2011: HK3.81 cents per share), based on the loss for the year from discontinued operations attributable to owners of the Company of approximately HK$3,502,821,000 (2011: HK$297,002,000) and the denominators as detailed above for both basic and diluted loss per share.

No adjustment had been made to the basic loss per share for discontinued operations for the years ended 31 December 2012 and 2011 as the share options, the Convertible Notes Due 2015, warrants and convertible preferred Shares outstanding had an anti-dilutive effect on the basis loss per share amounts presented.

10. ACCOUNTS RECEIVABLE

The Group normally allows credit terms to well-established customers ranging from 30 to 90 days. Efforts are made to maintain strict control over outstanding receivables and overdue balances are reviewed regularly by senior management. On this basis and the fact that the Group's accounts receivable relate to a large number of diversified customers, there are no significant concentrations of credit risk. Accounts receivable are non-interest-bearing.

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

	2012	2011
	HK$'000	*HK$'000*
1 to 3 months	**1,345**	57,019
4 to 6 months	**231**	19,211
7 to 12 months	**261**	5,058
Over 12 months	**–**	2,213
	1,837	83,501

11. 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:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
1 to 3 months	**88,062**	176,942
4 to 6 months	**44,434**	109,681
7 to 12 months	**82,036**	101,767
Over 12 months	**187,943**	81,449
	402,475	469,839

12. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals is an amount of RMB740,000,000 (equivalent to approximately HK$918,304,000) (31 December 2011: RMB740,000,000 (equivalent to approximately HK$916,050,000)) in respect of the partial receipt of the disposal consideration of Titan Quanzhou Shipyard as further detailed in note 20.

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

Pursuant to an indenture dated 17 March 2005 entered into by the Company, together with certain subsidiaries of the Company, which guarantee the issue of the Senior Notes Due 2012 (the "Subsidiary Guarantors") with Deutsche Bank Trust Company Americas as the original trustee and the trustee subsequently changed to the Bank of New York Mellon in 2010, the Company issued the Senior Notes Due 2012 in the aggregate principal amount of US$400 million (equivalent to approximately HK$3,120 million) with directly attributable transaction costs of HK$90,709,000. The Senior Notes Due 2012 were due on 18 March 2012 with a lump sum repayment, unless redeemed earlier pursuant to specified terms. The Senior Notes Due 2012 bear interest at the rate of 8.5% per annum, payable semi-annually in arrears on 18 March and 18 September each year, commencing on 18 September 2005, and are listed on the Singapore Exchange Securities Trading Limited.

The obligations of the Company under the Senior Notes Due 2012 are guaranteed by the Subsidiary Guarantors and the pledge of shares of certain Subsidiary Guarantors. The list of subsidiaries comprising the Subsidiary Guarantors and the shares pledged are more fully described in the Company's announcement dated 11 March 2005 together with details of the principal terms of the Senior Notes Due 2012.

On 28 July 2010 (27 July 2010, New York City Time), the Company issued US$78,728,000 (equivalent to approximately HK$614,078,000) aggregate principal amount of the Convertible Notes Due 2015 and US$14,193,000 (equivalent to approximately HK$110,705,000) aggregate principal amount of the PIK Notes Due 2015, and paid US$43,154,940 (equivalent to approximately HK$336,609,000) in cash, in exchange for an aggregate principal amount of the Senior Notes Due 2012 for US$209,490,000 (equivalent to approximately HK$1,634,022,000). As a result, the Company recognised a gain on the restructuring of the Senior Notes Due 2012 of HK$476,495,000 in 2010.

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

As at 31 December 2012, the effective interest rate on the Senior Notes Due 2012 was 8.5% per annum. The outstanding principal in respect of the Senior Notes Due 2012 as at 31 December 2012 and 2011 was US$105,870,000 (equivalent to approximately HK$825,786,000), while the fair value of the Senior Notes Due 2012 as at 31 December 2012 and 2011 was US$28,453,000 (equivalent to approximately HK$221,933,000) and US$75,962,000 (equivalent to approximately HK$592,504,000), respectively.

On 19 March 2012 and as of the date of this announcement, the Company was unable to repay the overdue principal and interest on the Senior Notes Due 2012 in the amount of US$105,870,000 (equivalent to approximately HK$825,786,000) and US$4,499,000 (equivalent to approximately HK$35,092,000) respectively.

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

The Company issued US$78,728,000 (equivalent to approximately HK$614,078,000) aggregate principal amount of the Convertible Notes Due 2015 on 28 July 2010 (27 July 2010, New York City Time) in exchange for tendered the Senior Notes Due 2012. The Convertible Notes Due 2015 are due on 13 July 2015 with a single repayment at 151.621% of their principal amount, unless earlier redeemed, repurchased or purchased by the Company or converted. The Convertible Notes Due 2015 bear no interest, and were listed on the Singapore Exchange Securities Trading Limited. Holders of the Convertible Notes Due 2015 are entitled to convert their Convertible Notes Due 2015 with a minimum principal amount of US$1,000 or integral multiples of US$500 in excess thereof based on an initial conversion rate of 10,915 conversion shares per US$1,000 in principal amount of the Convertible Notes Due 2015, subject to adjustments. This implies an initial conversion price (subject to adjustments) of US$0.0916 (equivalent to approximately HK$0.7145) per conversion share. Conversion may occur on any day prior to (and including) the seventh business day prior to the maturity date of the Convertible Notes Due 2015.

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

During the year, none of the Convertible Notes Due 2015 were converted into ordinary shares. In the prior year, the Convertible Notes Due 2015 with an aggregate principal amount of US$3,991,000 (equivalent to approximately HK$31,130,000) were converted into 43,561,764 ordinary shares of HK$0.01 each in the Company at the conversion price of US$0.0916 (equivalent to approximately HK$0.7145) per share.

Also in the prior year, an aggregate principal amount of US$10,097,000 (equivalent to approximately HK$78,757,000) in the Convertible Notes Due 2015 were repurchased by the Company for an aggregate consideration of US$9,782,000 (equivalent to approximately HK$76,299,000), resulting in a net loss on repurchases, after writing off unamortised transaction costs, of HK$61,000.

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 18.66% per annum. At 31 December 2011, the fair value of the embedded derivatives liability are HK$27,212,000 and this was subsequently derecognised in 2012.

At 31 December 2012, the outstanding principal of the Convertible Notes Due 2015 was US$47,960,000 (equivalent to approximately HK$374,088,000) (2011: US$47,960,000 (equivalent to approximately HK$374,088,000)).

On 6 September 2012, the winding-up petition at the Bermuda court remained undismissed or unstayed for a period of 60 consecutive days which, in turn, constituted an event of default under the terms of the Convertible Notes Due 2015.

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

The Company issued US$14,193,000 (equivalent to approximately HK$110,705,000) aggregate principal amount of the PIK Notes Due 2015 on 28 July 2010 (27 July 2010, New York City Time) in exchange for tendered the Senior Notes Due 2012. The PIK Notes Due 2015 are due on 13 July 2015 with a single repayment of the principal, unless earlier repurchase pursuant to the terms of the PIK Notes Due 2015 indenture. The PIK Notes Due 2015 bear interest at the rate of 8.5% per annum payable semi-annually in arrears commencing on 13 January 2011 either by cash or in the form of additional PIK Notes Due 2015, and are listed on the Singapore Exchange Securities Trading Limited.

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 carry a pledge of the 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.

In the prior year, the PIK Notes Due 2015 with an aggregate principal amount of US$1,040,000 (equivalent to approximately HK$8,112,000) were repurchased by the Company at an aggregate consideration of US$1,040,000 (equivalent to approximately HK$8,112,000), resulting in a net loss on repurchases, after written off unamortized transaction cost, of HK$214,000.

The PIK Notes Due 2015 are carried at amortised cost with an effective interest rate of 11.03% per annum (2011: 11.03%). At 31 December 2012 and 2011, the outstanding principal of the PIK Notes Due 2015 was US$11,376,541 (equivalent to approximately HK$88,737,000) and US$10,467,868 (equivalent to approximately HK$81,649,000), respectively.

On 6 September 2012, the winding-up petition at the Bermuda court remained undismissed or unstayed for a period of 60 consecutive days which, in turn, constituted an event of default under the terms of the PIK Notes Due 2015.

16. CONVERTIBLE PREFERRED SHARES

In 2007, the Company issued 555,000,000 Titan preferred shares at the stated value of HK$0.56 per share and TGIL, a jointly-controlled entity, issued HK$780,000,000 (US$100,000,000) TGIL preferred shares. The fair values of the liability portion of the Titan preferred shares and the TGIL preferred shares were estimated at the issuance date. The residual amount of the Titan preferred shares and the TGIL preferred shares were assigned as the equity portion and included in shareholders' equity of the Company and contingently redeemable equity in the jointly-controlled entity, respectively.

The TGIL preferred shares were redeemable on the occurrence of a Redemption Event and at the election of the holders of the TGIL preferred shares (provided that TGIL's warrants are not exercised) at a price equal to the higher of 175% of their initial subscription price or the market value (to be determined by an independent investment bank) of TGIL's ordinary shares into which those the TGIL preferred shares being redeemed can be converted (subject to a cap of HK$2,730 million upon the full redemption of the TGIL preferred shares), as if they were converted on the date of the notice of redemption, together with any accrued and unpaid dividends.

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

16. CONVERTIBLE PREFERRED SHARES (Continued)

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

On 4 July 2012, the Company received from SPHL a notice to redeem all of the Company's outstanding 555,000,000 preferred shares held by it at a redemption amount equal to the notional value of the Company's preferred shares (being HK$310,800,000) together with any accrued and unpaid dividends. As a result, the equity portion of the Titan preferred shares were transferred to the accumulated losses upon redemption during the year.

During the year ended 31 December 2012, the TGIL preferred shares were derecognised upon the deconsolidation of the jointly-controlled entity.

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

On 14 July 2009, the Company, Titan Oil Storage Investment Limited ("TOSIL"), Warburg Pincus and TGIL entered into an agreement by which TOSIL and Warburg Pincus became entitled to provide, pro rata to their shareholdings in TGIL, funding of up to HK$312,600,000 (equivalent to approximately US$40,100,000) through the subscription of the TGIL Notes Due 2014.

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

On the same date, 14 July 2009, Warburg Pincus exercised its option to subscribe for the TGIL Notes Due 2014 in the principal amount of HK$156,000,000 (equivalent to US$20,000,000). The fair values of the liability portion and embedded derivative of the TGIL Notes Due 2014 were estimated at the issuable date. The residual amount of HK$85,015,000 of the TGIL Notes Due 2014 was assigned as the equity portion and was included in the equity portion of the TGIL Notes Due 2014 in the jointly-controlled entity.

On 13 January 2011, TOSIL exercised its right to subscribe for the TGIL Notes Due 2014 in the principal amount of HK$156,600,000 (equivalent to approximately US$20,100,000) and the subscription was completed when the relevant TGIL Notes Due 2014 were issued on 21 January 2011. Further details are included in the Company's announcement dated 13 January 2011.

The liability portion of the TGIL Notes Due 2014 was comprised of a financial liability at amortised cost and an embedded derivative and as at 31 December 2011, the fair value of the embedded derivative liability was HK$348,000.

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

During the year ended 31 December 2012, the TGIL Notes Due 2014 were derecognised upon the deconsolidation of the jointly-controlled entity.

18. SHARE CAPITAL

Shares

	Group			
	2012		2011	
	Number of shares	**Nominal value of shares** *HK$'000*	Number of shares	Nominal value of shares *HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each at 31 December	**14,445,000,000**	**144,450**	14,445,000,000	144,450
Convertible preferred shares of HK$0.01 each at 31 December	**555,000,000**	**5,550**	555,000,000	5,550
Issued and fully paid:				
Ordinary shares of HK$0.01 each at 1 January	**7,820,554,682**	**78,206**	7,766,732,918	77,667
Issue of shares upon exercise of share options *(Note (b))*	**–**	**–**	10,260,000	103
Conversion of Convertible Notes Due 2015 *(Note (a))*	**–**	**–**	43,561,764	436
Ordinary shares of HK$0.01 each at 31 December	**7,820,554,682**	**78,206**	7,820,554,682	78,206
Convertible preferred shares of HK$0.01 each at 1 January and 31 December	**555,000,000**	**5,550**	555,000,000	5,550

Notes:

a) During the year ended 31 December 2012, none of the Convertible Notes Due 2015 were converted into ordinary shares. In the prior year, the Convertible Notes Due 2015 with an aggregate principal amount of US$3,991,000 (equivalent to approximately HK$31,130,000) were converted into 43,561,764 ordinary shares of HK$0.01 each in the Company at the conversion price of approximately US$0.0916 (equivalent to approximately HK$0.7145) per share.

b) All new ordinary shares rank pari passu in all respects with other ordinary shares in issue.

In 2011, certain share options granted on 1 February 2008 were exercised for 10,260,000 ordinary shares (with a par value of HK$0.01 each) at an exercise price of HK$0.45 per share.

19. GUARANTEES

As at 31 December 2012, guarantees with aggregated amounts of HK$314,478,000 (31 December 2011: HK$271,270,000) were given by the Company to (i) a bank for a loan to a subsidiary of the Group, (ii) shipowners for charter hire expenses to a subsidiary of the Group in accounts payable and (iii) the K-line Notes Due 2013.

At the end of the reporting period, an amount of HK$102,117,000 (31 December 2011 (restated): HK$50,404,000) has been recognised in the Company's statement of financial position.

As at 31 December 2012, guarantees with aggregated amounts of RMB44,000,000 (equivalent to approximately HK$54,602,000) provided to a former jointly-controlled entity by the Group for a loan. On 31 December 2012, HK$2,361,000 (31 December 2011: HK$Nil) of the guaranteed facilities for the former jointly-controlled entity had been utilized and recognised in the consolidated statement of financial position as a liability.

Other than those as disclosed above, the Group and the Company had no other material guarantees outstanding as at 31 December 2012 and 2011.

20. CONTINGENT LIABILITIES

a) Arbitrations

Arbitrations between KTL Mayfair Inc. ("Mayfair") and the Company and the Arbitrations between Mayfair and Titan Storage Limited ("TSL")

Mayfair served notices of appointment of arbitrator on both TSL and the Company on 16 July 2013.

The claims relate to disputes between the Company/TSL and Mayfair in relation to the alleged breaches by TSL of a bareboat charter party contract executed in 2010 (the "Charterparty"), including but not limited to the Company/TSL's failure to pay hire and contractual interest on hire; and the alleged failure to insure the Mayfair vessel. The total amount of Mayfair's claim is US$23,021,040.61 and SG$5,296,30. TSL and the Company have also counterclaimed against Mayfair for US$20,755,188.89.

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

Arbitration between the Company and Edinburgh Navigation SA ("Edinburgh"); Arbitration between the Company and Camden; Arbitration between Edinburgh and TSL and Arbitration between Camden and TSL

The Company served notices of arbitration on Edinburgh and Camden on 20 July 2013. Edinburgh and Camden subsequently served notices of appointment of an arbitrator on TSL on 26 November 2013.

20. CONTINGENT LIABILITIES (Continued)

a) Arbitrations (Continued)

The parties involved in the aforesaid arbitrations are (i) the Company, TSL and Edinburgh and (ii) the Company, TSL and Camden. The claims relate to disputes arising out of the charterparty agreements (the "Charterparty Agreements") executed in 2010 entered into between TSL and Edinburgh/Camden in relation to the vessels MT Titan Aries/MT Titan Venus (the "Vessels"). In 2012, Frontline Management SA ("Frontline") as agents of the Vessels demanded the Vessels to be re-delivered sooner. TSL agreed to such redelivery relying on Frontline's representation that Frontline would arrange a suitable time charter arrangement such that TSL's oil storage business would not be affected (the "New Arrangement"). However, Frontline, later refused to carry on with the New Arrangement. The Company is now claiming that the conduct of Edinburgh/Camden has resulted in TSL not being able to perform its oil storage business and suffered loss as a result. The total amount of claim against each of Edinburgh and Camden is US$20,755,188.89. Edinburgh and Camden have also counterclaimed against the Company and TSL for US$7,449,911.02 and US$6,425,312.50 respectively.

The parties are currently at the stage of exchanging submissions.

b) Bermuda Proceedings

On 4 July 2012, the Company received from SPHL a notice to redeem all of the outstanding 555,000,000 Titan preferred shares held by it at a redemption amount equal to the notional value of the Titan preferred shares (being HK$310.8 million) together with any accrued and unpaid dividends. Redemption monies are payable 30 business days after the date of the redemption notice.

On 9 July 2012 (Bermuda time), SPHL served on the Company the SPHL Petition at the Bermuda Court for an order, amongst other things, to wind up and to appoint a provisional liquidator against the Company. Further details in respect of the above are included in the Company's announcement dated 12 November 2012.

The Company made an application to the Bermuda Court to strike out the SPHL Petition on the grounds that SPHL is not a creditor or contributory of the Company and/or has no interest in such a winding up of the Company and/or the proceedings are an abuse of process. The strike out application was heard in the Bermuda Court on 1 May 2013 (Bermuda time).

On 10 May 2013 (Bermuda time), the Bermuda Court handed down its ruling in relation to the Company's application to strike out the SPHL Petition and found that it would exercise its discretion to strike out the SPHL Petition (the "10 May Decision"). The Bermuda Court further ordered that the actual striking out of the SPHL Petition be adjourned to 23 July 2013 in order to facilitate the hearing of an application by Camden to be substituted as the petitioner (the "Camden Substitution Application"). Further details in respect of the above are included in the Company's announcement dated 13 May 2013.

20. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

Camden claimed that TSL, a subsidiary of the Company, failed to pay certain hiring charges to Camden pursuant to a bareboat charter party contract and that the Company was liable to Camden for such hiring charges plus interest thereon in the sum of approximately US$6,853,032 (up to 16 April 2013) pursuant to a deed of guarantee issued by the Company in favour of Camden.

Subsequently, SPHL made an application to the Bermuda Court for leave to appeal the 10 May Decision (the "SPHL Leave Application"). Further details in respect of the above are included in the Company's announcement dated 25 July 2013.

On 19 July 2013 (Bermuda time), the Company made an application to the Bermuda Court seeking to (a) stay the Petition pending arbitration between the Company and Camden or (b) strike out the Petition on the basis that it was an abuse of process (the "Titan Stay Application").

The Camden Substitution Application, the SPHL Leave Application and the Titan Stay Application were all heard by the Bermuda Court on 23 July 2013 (Bermuda time). At the hearing, the Bermuda Court made the following orders:

i) the Petition by SPHL was struck out, and the Company was awarded the costs of the petition against SPHL from the date upon which its skeleton argument for the Striking Out Application was filed;

ii) SPHL was granted leave to appeal the 10 May Decision;

iii) the Titan Stay Application was dismissed;

iv) Camden was allowed to be substituted as the petitioner in place of SPHL and granted leave to amend the Camden Petition, Camden was also awarded its costs against the Company of the Camden Substitution Application; and

v) the hearing of the Camden Petition was adjourned to 16 August 2013.

Further details in respect of the above are included in the Company's announcement dated 25 July 2013.

On 29 July 2013 (Bermuda time), Camden made an application to the Bermuda Court by way of an ex parte summons (on notice) seeking an interim injunction (the "Interim Injunction") restraining the Company from, among others, taking any action or consenting to any action to be taken by any subsidiary to transfer any rights, titles or interests in relation to certain assets and agreements of the Company, without the approval of the Bermuda Court or 7 days' written notice to Camden.

Camden also made an application for the appointment of provisional liquidators in the Company on 6 August 2013 (Bermuda time) (the "PLs Application").

20. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

The Company made an application with the Bermuda Court on 6 August 2013 (Bermuda time) for leave to appeal the judgment of the Bermuda Court dated 23 July 2013 in relation to the substitution of Camden as the petitioner in place of SPHL on the grounds of a dispute as to Camden's claim (the "Leave to Appeal Application").

The Camden Petition, the application for the Interim Injunction, the PLs Application and the Leave to Appeal Application were all heard by the Bermuda Court on 16 August 2013 (Bermuda time) and no order was made for the appointment of provisional liquidators or to wind up the Company at that hearing. The following orders were made by the Bermuda Court:

i) until the first hearing in the matter following the hearing of 16 August 2013, an injunction was granted restraining the Company, whether alone or in concert with others, acting through its directors, officers, employees, servants, agents or otherwise, from (i) disposing of any property, including things in action, belonging to the Company, save the payment of salaries, rent, utilities, professional fees or other similar payments in the ordinary course of its business; or (ii) consenting to or approving the disposal of property, including things in action, belonging to any subsidiary (as defined in section 86 of the Companies Act 1981) of the Company, without the approval of the Bermuda Court or without 7 days' written notice of the same to Camden (the "Interim Injunction Order"); and

ii) the Company shall pay Camden's costs of the application for the Interim Injunction.

Further details in respect of the above are included in the Company's announcement dated 20 August 2013.

On 30 August 2013, the Bermuda Court ordered that the Company and Camden to agree on setting up an informal committee of creditors (the "Informal Committee") to facilitate information exchange between the Company and its creditors, failing which the Bermuda Court would make an order in this regard. No agreement was reached between the Company and Camden and hence, the Bermuda Court made an order on 10 September 2013 for the set up of the Informal Committee.

On 18 October 2013 (Bermuda time), the Bermuda Court ordered the appointment of Mr. Garth Calow and Ms. Alison Tomb, both of PricewaterhouseCoopers, as the JPLs of the Company with the following powers (among others):

i) to review the financial position of the Company and in particular to assess the feasibility of any restructuring proposals of the Company;

ii) to monitor the continuation of the business of the Company by the existing Board;

iii) to monitor, consult with and otherwise liaise with the existing Board and the creditors and shareholders of the Company in determining whether the Company is able to effect a restructuring of the Company;

iv) to receive advance materials, receive advance notice of, and, at the expense of the Company, attend all Board meetings and such meetings of management as the JPLs' request; and

20. CONTINGENT LIABILITIES (Continued)

b) Bermuda Proceedings (Continued)

v) to see, review and copy books, papers, writings, documents and records in the possession or control of the Company situate in Bermuda or in any other jurisdictions, solely insofar as reasonably necessary to permit the JPLs to exercise and discharge their powers and functions.

The Company made an application for a stay, and filed a motion for leave to appeal, in respect of the order of the Bermuda Court appointing JPLs, both of which were rejected by the Bermuda Court at a hearing on 5 November 2013. Further applications for stay and leave to appeal were made by the Company.

On 12 December 2013, the Company made an application to the Bermuda Court for the discharge of the JPLs appointed to the Company on 18 October 2013 (the "Discharge Application").

The Camden Petition and the Discharge Application were heard by the Bermuda Court on 13 December 2013 (Bermuda time) and the following orders were made by the Bermuda Court:

i) the Camden Petition and the Discharge Application be adjourned to 31 January 2014 (Bermuda time);

ii) costs of the hearing be awarded to the JPLs to be paid out of the assets of the Company on an indemnity basis; and

iii) the costs of hearing of Camden as the petitioner be reserved.

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

A further hearing before the Bermuda Court took place on 31 January 2014 (Bermuda time) and the following orders were made by the Bermuda Court:

i) the Camden Petition was further adjourned to 14 February 2014 (Bermuda time); and

ii) any matters with respect to the Extension of the JPLs' Powers that remain outstanding would also be dealt with at the adjourned hearing on 14 February 2014 (Bermuda time).

Further details in respect of the above are included in the Company's announcement dated 5 February 2014.

20. CONTINGENT LIABILITIES (Continued)

c) BVI Proceedings

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

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

On 18 July 2012 (BVI time), TOSIL, a wholly-owned subsidiary of the Company and a shareholder of TGIL, filed a notice of appeal at the Court of Appeal of the Eastern Caribbean Supreme Court (the "BVI Court of Appeal") against the above order and applied for a stay of execution thereof pending the determination of the appeal. The stay application was subsequently withdrawn. Further details in respect of the above are included in the Company's announcement dated 20 July 2012.

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

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

d) Hong Kong Proceedings

On 19 July 2012, the Company received from SSL a writ of summons (the "Writ") issued in the Court of First Instance in the High Court of the Hong Kong Special Administrative Region (the "Hong Kong Court") with an indorsement of claim against the Company and other parties including its wholly-owned subsidiary, TOSIL, and two directors of the Company. SSL alleged in the Writ among other things (a) breach of the amended and restated investor rights agreement (the "IRA") in respect of TGIL dated 17 July 2009; and (b) misrepresentations regarding the financial position of TGIL, and its subsidiaries. SSL seek, amongst other remedies, specific performance of the IRA, injunctive relief, declaratory relief, an indemnity, damages, interest and costs. Further details in respect of the above are included in the Company's announcement dated 20 July 2012.

On 14 September 2012, the Company received a statement of claim filed by SSL in connection with the Writ. Further details in respect of the above are included in the Company's announcement dated 19 September 2012.

On 10 November 2012, the Hong Kong Court, amongst other things, stayed the proceedings for a period of 90 days which was then subsequently extended until 15 March 2013.

On 15 November 2013, SSL was ordered by the Hong Kong Court to provide security in various sums for the Defendants' costs of the proceedings. SSL has yet to comply with this order and the proceedings are presently stayed. The Hong Kong proceedings will continue in accordance with the rules of the Hong Kong Court or as otherwise ordered by the Hong Kong Court.

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

20. CONTINGENT LIABILITIES (Continued)

e) PRC Proceedings

On 11 December 2010, the Company entered into (i) a sale and purchase agreement with Titan TQSL, Titan Fujian and Grand China Logistics in relation to the disposal of its 95% equity interest in Titan Quanzhou Shipyard (the "GCL Sale and Purchase Agreement"); (ii) a subscription agreement in relation to the issue of subscription shares to Grand China Logistics; and (iii) a management agreement in relation to the engagement of the Company to manage the business operations of Titan Quanzhou Shipyard for the term commencing from the completion of the GCL sale and purchase agreement until 31 December 2012. The consideration for the proposed disposal was RMB1,865,670,000 or a maximum reduced consideration of RMB1,465,670,000 if Titan Quanzhou Shipyard's profit targets for the two years ending 31 December 2012 were not met.

While the requisite regulatory and shareholder's approvals for the first two stage payments totaling RMB800,000,000 were obtained, to date, only RMB740,000,000 has been received and, the equity interests of Titan Quanzhou Shipyard have not been transferred to Grand China Logistics. Further details in respect of the above are included in the Company's announcement dated 13 March 2012.

On 30 May 2012, Titan Fujian received a summons issued by the Shanghai Intermediate Court with Grand China Logistics as plaintiff and the Company and two wholly-owned subsidiaries of the Company, Titan TQSL and Titan Fujian, as defendants, that sought an order for, amongst other things, the termination of the GCL Sale and Purchase Agreement and repayment to Grand China Logistics of an aggregate of RMB740,000,000 together with accrued interest or for the Company to fulfil its obligation under its guarantee to repay such amount. It has also come to the notice of the Company that a restriction might have been imposed on any transfer of the Group's equity interest in Titan Quanzhou Shipyard. As the Company was set up out of the PRC jurisdictions, the Company failed to provide the requested notarized litigation documents to the PRC Court, therefore, the Group has not yet directly received any court order or notice issued under the provisions of applicable law. Further details in respect of the above are included in the Company's announcement dated 12 July 2012.

On 18 June 2012, the Company, Titan TQSL and Titan Fujian filed an objection to the jurisdiction of the Shanghai Intermediate Court and requested that the matter be transferred to the 上海市高級人民法院 (Shanghai Higher People's Court). Further details in respect of the above are included in the Company's announcement dated 12 July 2012.

Titan Fujian as plaintiff on 23 August 2012 filed with the Shanghai Intermediate Court a statement of counter-claims against Grand China Logistics as defendant to seek, amongst other remedies, specific performance on the GCL Sale and Purchase Agreement and the supplemental agreements for Grand China Logistics to fulfil its payment obligations thereunder and related damages and costs. The Company and Titan TQSL were to join in the action after they had completed the notarization of documents as required by the PRC courts for offshore incorporated plaintiffs. Further details in respect of the above are included in the Company's announcement dated 29 August 2012.

On 5 December 2012, the Company received a notice of objection from the Shanghai Higher People's Court that the application of objection to the jurisdiction dated 28 November 2012 was dismissed, the Company had a 30 day period from 28 November 2012 to file an appeal against the ruling on jurisdiction. Further details in respect of the above are included in the Company's announcement dated 17 December 2012.

20. CONTINGENT LIABILITIES (Continued)

e) PRC Proceedings (Continued)

The Company and Titan TQSL filed an appeal dated 29 December 2012 to the Shanghai Higher People's Court against the ruling of the Shanghai Intermediate Court that upheld the lower court's jurisdiction to hear the action. Further details in respect of the above are included in the Company's announcement dated 29 January 2013.

On 15 March 2013, the Shanghai Higher People's Court made a final order on the issue of jurisdiction that upheld the order of jurisdiction made by the Shanghai Intermediate People's Court.

On 10 June 2013, the Company received a notification from Grand China Logistics dated 7 June 2013 informing the Company that it had entered into an assignment in respect of the Sale and Purchase of the 95% equity interest in Titan Quanzhou Shipyard with GZE pursuant to which it would transfer to GZE all of its interests, rights and obligations in respect of the Sale and Purchase Agreement and the subsequent supplemental agreements dated 24 July 2011 in relation to the Disposal (the "Assignment") and, on the basis that none of the terms of the GCL Sale and Purchase Agreement (or any of its supplemental agreements) would be changed as a result of the Assignment, the Company did not object to the Assignment on 19 June 2013. Based on PRC legal advice, the Company understood that the Assignment was subject to the approval of Fujian Department of Foreign Trade and Economic Cooperation Bureau, being the approval authority which originally approved the Sale and Purchase Agreement (the "Original Approval Authority"). Further details in respect of the above are included in the Company's announcement dated 10 June 2013 and 17 July 2013.

On 16 July 2013, the Company, Titan TQSL, Titan Fujian and GZE (together, the "Parties") entered into an agreement confirming the following matters:

i) GZE would have the right to continue to perform the GCL Sale and Purchase Agreement (as amended by the subsequent supplemental agreements) and to exercise its rights thereunder and the Parties will cooperate to complete all outstanding approvals required from the Original Approval Authority and any other body in connection with the GCL Sale and Purchase Agreement and the Assignment; and

ii) the Company would endeavour to negotiate with Grand China Logistics with a view to (a) reaching a settlement with Grand China Logistics on the proceedings; (b) resolving all outstanding issues with Grand China Logistics in respect of the sale and Purchase Agreement; and (c) entering into a legally binding settlement agreement with Grand China Logistics and obtaining all relevant approvals required in connection with the foregoing matters on or before 31 August 2013.

Further details in respect of the above are included in the Company's announcement dated 17 July 2013.

The Company and Titan Fujian and Titan TQSL had been in negotiations with Grand China Logistics with a view to reaching a settlement with Grand China Logistics on the litigation matters commenced in the PRC relating to the Group's proposed disposal of its 95% equity interest in Titan Quanzhou Shipyard (the "PRC proceedings"). The parties had agreed to stay the PRC Proceedings pending the results of their negotiations on the settlement. Further details in respect of the above are included in the Company's announcement dated 14 August 2013.

20. CONTINGENT LIABILITIES (Continued)

e) PRC Proceedings (Continued)

On 26 December 2013, the Shanghai Intermediate Court approved the withdrawal of the claim initiated by Grand China Logistics against the Company, Titan TQSL and Titan Fujian in the PRC in relation to the GCL Sale and Purchase Agreement.

In addition, the Company had also been notified that the Shanghai Intermediate Court, on 23 December 2013, also ordered the discontinuation of the proceedings in relation to the counterclaim lodged by Titan Fujian against Grand China Logistics on the grounds that, following the Assignment, Grand China Logistics was no longer the appropriate defendant for the counterclaim as it had transferred all its interests, rights and obligations in respect of the GCL Sale and Purchase Agreement and the supplemental agreements thereto to GZE. The litigation between Titan Fujian and Grand China Logistics was resolved on 23 December 2013.

Notwithstanding the discontinuation of the proceedings (both with respect to the claim brought by Grand China Logistics and the counterclaim brought by Titan Fujian) in the Shanghai Intermediate Court referred to above, any disposition of the assets of Titan Quanzhou Shipyard remain subject to, among other things, GZE's rights under the Indebtedness and the Securities. Since Titan Quanzhou Shipyard had been in default on its payment obligations under the Indebtedness and the Securities and liable to be enforced by GZE. Further details in respect of the above are included in the Company's announcement dated 14 January 2014.

Other than the contingent liabilities as disclosed above, the Group and the Company had no other material contingent liabilities as at 31 December 2012 and 31 December 2011.

21. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the Announcement events the Group had after the reporting period are as follows:

a) Listing status

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

(i) the Company must demonstrate sufficient operations or assets under Rule 13.24;

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

(iii) the Company must have the winding up petition against the Company withdrawn or dismissed and the provisional liquidators discharged.

21. EVENTS AFTER THE REPORTING PERIOD (Continued)

b) Convertible bonds subscriptions

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

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

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

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

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

c) Liquidation of Subsidiaries

As part of the Group cost control efforts, the following subsidiaries were placed into liquidation up to the date of this announcement:

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

Since the above subsidiaries operated in Singapore (the "Singapore subsidiaries") were put into liquidation in 2013, therefore most of the Singapore subsidiaries books and records have since been under the control of liquidator.

22. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2012 (2011: Nil).

23. COMPARATIVE AMOUNTS

The comparative income statement has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative year. Certain comparative amounts in note 3 under the heading "Operating Segment Information" have been reclassified to conform with the current year presentation. In the opinion of the Company's Directors, such reclassification provides a more appropriate presentation on the Group's business segments.

AUDITORS' OPINION

The auditors' opinion on the Group's financial statements for the year ended 31 December 2012 as set out below:

"BASIS FOR DISCLAIMER OF OPINION

(a) Scope limitation – Subsidiaries operated in Singapore

Included in the consolidated financial statements of the Group is financial information in respect of subsidiaries which operated in Singapore (the "Singapore Subsidiaries"). As disclosed in note 2.2 to the consolidated financial statements, partial books and records of the Singapore Subsidiaries were unable to be located as a consequence of the re-location of their offices and servers, the resignations of key management, operation and accounting personnel and records have been under control of liquidator. Consequently, we were unable to obtain sufficient appropriate audit evidence in respect of the financial information of the Singapore Subsidiaries as set out below which has been included in the consolidated financial statements of the Group for the year ended 31 December 2012:

	HK$'000
Included in the consolidated income statement:	
Revenue	272,744
Finance costs	1,684
Impairment of accounts receivables	6,697
Impairment of prepayments, deposits and other receivables	32,053
Included in the consolidated statement of financial position:	
Accounts payable	322,243
Other payables and accruals	78,820

We were unable to obtain sufficient appropriate audit evidence regarding the above because (i) there was inadequate documentary evidence available for us to verify the identity and nature of the above transactions and balances; (ii) we were unable to carry out any effective confirmation procedures for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to carry out any substantive procedures in relation to the above transactions and balances; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above transactions and balances were free from material misstatement. Consequently, we were unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence of any other significant transactions, inter-group transactions, contingent liabilities, commitments, related party transactions and subsequent events relating to the Singapore Subsidiaries and the Group. Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's net liabilities as at 31 December 2012 and the loss and cash flows of the Group for the year ended 31 December 2012 and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant non-adjusting subsequent events relating to the Singapore Subsidiaries.

(b) Scope limitation – Prepayments, deposits and other receivables

Included in the prepayments, deposits and other receivables in the consolidated statement of financial position of the Group as at 31 December 2012 were other receivables of approximately HK$10,284,000 ("Other Receivables"). We were unable to obtain sufficient appropriate audit evidence regarding the Other Receivables because (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Other Receivables; (ii) we were unable to carry out any effective confirmation procedures in relation to the Other Receivables for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the Other Receivables were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Other Receivables were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balances of the Group's other receivables, the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

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

(1) Scope limitation – Impairment of goodwill of a disposal group classified as held for sale

As disclosed in note 5 to the consolidated financial statements, included in the loss for the year from discontinued operations for the year ended 31 December 2012 was the impairment of goodwill of approximately HK$570,618,000 in relation to subsidiaries engaged in the ship building business. The directors are of the opinion that the carrying amount of the goodwill in the consolidated statement of financial position exceeded its recoverable amount, and therefore, based on a valuation report and cash flow forecast of the ship building business as at the end of the reporting period, an impairment loss on goodwill of approximately HK$570,618,000 was made. However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the reasonableness of the bases and assumptions used in arriving at the discounted cash flow forecast performed as at the end of the reporting period and therefore, as to whether the carrying amount and impairment loss on goodwill for the year ended 31 December 2012 are fairly stated. Any adjustment to the carrying amount and the impairment loss on goodwill for the year ended 31 December 2012 would have a consequential impact on the loss from discontinued operations for the year ended 31 December 2012, the balances of the Group's assets of a disposal group classified as held for sale, the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

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

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position as at 31 December 2012 was the property, plant and equipment and prepaid land/seabed lease payments of a disposal group classified as held for sale (the "Property, Plant and Equipment and Prepaid Lease Payments") with net carrying amounts of approximately HK$2,020,624,000 and HK$306,019,000 respectively and related deferred tax liabilities of approximately HK$58,658,000. The directors are of the opinion that the carrying amounts of the Property, Plant and Equipment and Prepaid Lease Payments in the consolidated statement of financial position exceeded their recoverable amounts and therefore, impairment losses on the Property, Plant and Equipment and Prepaid Lease Payments of approximately HK$1,100,912,000 was made during the year ended 31 December 2012. Fair values less costs to sell were determined by the cost approach and the sales comparison approach and were used to determine the recoverable amounts of the Property, Plant and Equipment and Prepaid Lease Payments with reference to valuation reports. However, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the reasonableness of the bases and assumptions used in arriving at the recoverable amounts of the Property, Plant and Equipment and Prepaid Lease Payments as at the end of the reporting period and therefore, as to whether the carrying amounts and the impairment losses on the Property, Plant and Equipment and Prepaid Lease Payments for the year ended 31 December 2012 are fairly stated. Any adjustment to the carrying amounts and impairment losses on the Property, Plant and Equipment and Prepaid Lease Payments for the year ended 31 December 2012 would have a consequential impact on the loss from discontinued operations for the year ended 31 December 2012, the balances of the Group's assets and liabilities of a disposed group classified as held for sale, the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

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

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2012 were prepayments, deposits and other receivables in respect of Titan Quanzhou Shipyard Company Limited ("QZ Shipyard"), which is the disposal group classified as held for sale, of approximately HK$51,625,000 and included in the consolidated income statement was impairment of the prepayments, deposits and other receivables of QZ Shipyard of approximately HK$107,013,000 ("Prepayments, Deposits and Other Receivables of the QZ Shipyard"). We were unable to obtain sufficient appropriate audit evidence regarding the Prepayments, Deposits and Other Receivables of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Prepayments, Deposits and Other Receivables of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to the Prepayments, Deposits and Other Receivables of the QZ Shipyard for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the Prepayments, Deposits and Other Receivables of the QZ Shipyard were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Prepayments, Deposits and Other Receivables of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets of a disposal group classified as held for sale, the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

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

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2012 were accounts and bills payables of the QZ Shipyard of approximately HK$88,335,000 owned to suppliers of the QZ Shipyard (the "Accounts and Bills Payables of the QZ Shipyard"). We were unable to obtain sufficient appropriate audit evidence regarding the Accounts and Bills Payables of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Accounts and Bills Payable of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to Accounts and Bills Payables of the QZ Shipyard for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Accounts and Bills Payables of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balance of the Group's liabilities directly associated with the assets classified as held for sale, the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

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

As disclosed in note 5 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2012 were other payables and accruals of the QZ Shipyard of approximately HK$313,546,000 (the "Other Payables and Accruals of the QZ Shipyard"). We were unable to obtain sufficient appropriate audit evidence regarding the Other Payables and Accruals of the QZ Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Other Payables and Accruals of the QZ Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to the Other Payables and Accruals of the QZ Shipyard for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Other Payables and Accruals of the QZ Shipyard were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balance of the Group's liabilities directly associated with the assets classified as held for sale, the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

(d) Scope limitation – Interests in associates

As disclosed in note 5 to the consolidated financial statements was the Group's share of profits of associates of approximately HK$8,538,000 for the year ended 31 December 2012 and as disclosed in note 9 to the consolidated financial statements, the interests in associates of approximately HK$313,553,000 was included in the net assets of a jointly-controlled entity deconsolidated during the year ended 31 December 2012. We were unable to obtain sufficient appropriate audit evidence regarding the interests in associates and share of profits of associates because (i) we were unable to access the financial information of the associates and therefore, there was no documentary evidence available for us to carry out any procedures in relation to the interests in associates and share of profits of associates for the purpose of our audit; and (ii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the interests in associates and share of profits of associates were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the loss from discontinued operations of the Group for the year ended 31 December 2012, the Group's net liabilities as at 31 December 2012, and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

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

Included in the balances of other payables and accruals in the consolidated statement of financial position as at 31 December 2012 was amount due to a deconsolidated jointly-controlled entity of approximately HK$175,867,000 ("Amounts with the Jointly-Controlled Entity"). As disclosed in note 9 to the consolidated financial statements, included in the net assets of the jointly-controlled entity deconsolidated during the year ended 31 December 2012 were amounts due from holding companies of approximately HK$171,454,000, amounts due to holding companies of approximately HK$164,249,000 and impairment on amount due from the deconsolidated jointly-controlled entity of approximately HK$161,412,000 (the "Amounts with Holding Companies"). We were unable to obtain sufficient appropriate audit evidence regarding the Amounts with the Jointly-Controlled Entity and the Amounts with Holding Companies because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Amounts with the Jointly-Controlled Entity and the Amounts with Holding Companies; (ii) we were unable to carry out any effective confirmation procedures in relation to the Amounts with the Jointly-Controlled Entity and the Amounts with Holding Companies for the purpose of our audit; and (iii) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Amounts with the Jointly-Controlled Entity and the Amounts with Holding Companies were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the balances of the Group's other payables and accruals as at 31 December 2012, the loss from discontinued operations of the Group for the year ended 31 December 2012, the Group's net liabilities at as 31 December 2012, and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

(f) Scope limitation – Financial guarantee contracts and commitments

Included in the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 31 December 2012 were financial guarantee contracts of approximately HK$2,361,000 and HK$102,117,000 respectively, which represented financial guarantee contracts issued by the Group. As disclosed in note 41 to the consolidated financial statements were commitments committed by the Group. We are unable to obtain sufficient appropriate audit evidence regarding the financial guarantee contracts and commitments committed by the Group because (i) there was inadequate documentary evidence for us to verify whether all financial guarantee contracts and commitments committed by the Group were included in the consolidated financial statements of the Group and the financial statements of the Company as at 31 December 2011 and 2012; (ii) there was inadequate documentary evidence for us to satisfy ourselves the measurements of the financial guarantee contracts and commitments for the years ended 31 December 2011 and 2012 were appropriate; (iii) we were unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence of any other significant financial guarantee contracts and commitments committed by the Company and the Group; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above transactions were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's and the Company's net assets and net liabilities at 31 December 2011 and 2012 respectively, the Company's interests in subsidiaries and consequently net loss and cash flows of the Group and the Company for the years ended 31 December 2011 and 2012, and the related disclosures thereof in the consolidated financial statements.

(g) Scope limitation – Events after the reporting period

In light of the matters above, we were unable to obtain sufficient appropriate audit evidence regarding the events after the reporting period because there was inadequate documentary evidence available for us to verify the occurrence, accuracy and completeness of the significant transactions or events which may have occurred between the period from 1 January 2013 to the date of this auditors' report as required under the Hong Kong Standard on Auditing 560 "Subsequent Events" issued by the HKICPA. There were no practical alternative procedures that we could perform over the significant transactions which occurred during the period from 1 January 2013 to the date of this auditors' report.

Any adjustments that might have been found necessary may have an effect on the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

(h) Scope limitation – Related party transactions

In light of the matters above, we were unable to obtain sufficient appropriate audit evidence regarding the related party transactions disclosures because there was inadequate documentary evidence available for us to verify the occurrence, accuracy and completeness of the related party transactions which may have occurred during the year ended 31 December 2012 as required under the Hong Kong Standard on Auditing 550 "Related Parties" issued by the HKICPA. There were no practical alternative procedures that we could perform over the related party transactions which occurred during the year ended 31 December 2012.

Any adjustments that might have been found necessary may have an effect on the Group's net liabilities as at 31 December 2012 and consequently net loss and cash flows of the Group for the year ended 31 December 2012, and the related disclosures thereof in the consolidated financial statements.

(i) Scope limitation – Opening balances and corresponding figures

In light of the matters above, there was inadequate documentary evidence available for us to verify the opening balances and corresponding figures for the year ended 31 December 2011 in accordance with Hong Kong Standard on Auditing 510 "Initial Audit Engagements – Opening Balances" issued by the HKICPA. In addition, the auditors' report dated 11 May 2012 issued by the previous auditors in respect of their audit of the consolidated financial statements of the Group for the year ended 31 December 2011 was disclaimed in view as a result of scope limitation based on reasons summarised in the basis for disclaimer of opinion paragraphs therein.

As a result of the above, we were unable to obtain sufficient appropriate audit evidence regarding the opening balances and corresponding figures and there were no alternative audit procedures to satisfy ourselves as to whether the opening balances and corresponding figures were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets and liabilities as at 31 December 2011 and 2012 and its results for the years ended 31 December 2011 and 2012, and the presentation and disclosure thereof in the consolidated financial statements.

Any adjustments or additional disclosures found to be necessary in respect of the above matters, including any related tax impact, will have a consequential significant effect on the financial position of the Company and the Group as at 31 December 2012 and 2011 and the financial performance and cash flows of the Group for the years then ended, and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant subsequent events related to the Company and the Group.

(j) Material uncertainties relating to the going concern basis

As disclosed in note 2.1 to the consolidated financial statements, the Group incurred a loss attributable to the owners of the Company of approximately HK$3,977,144,000 for the year ended 31 December 2012 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$3,167,957,000 and its total liabilities exceeded its total assets by approximately HK$3,138,573,000.

As disclosed in notes 27, 29, 30 and 31 to the consolidated financial statements, the Group was in default on repayments of secured interest-bearing bank loans of approximately HK$351,797,000, fixed rate guaranteed senior notes of approximately HK$891,871,000, guaranteed senior convertible notes of approximately HK$453,971,000, guaranteed senior payment-in-kind notes of approximately HK$92,236,000 and convertible preferred shares of approximately HK$391,502,000

As disclosed in note 42 to the consolidated financial statements, the Group was involved in several legal proceedings. One of the legal proceedings is in respect of KTL Camden Inc. ("KTL") has claimed that a subsidiary of the Company failed to pay certain hiring charges pursuant to a bareboat charter party contract and that the Company was liable to KTL for such hiring charges plus interest thereon in the sum of approximately USD6,853,032 pursuant to a deed of guarantee issued by the Company in favour of KTL. On 23 July 2013, the Supreme Court of Bermuda (the "Bermuda Court") allowed KTL to be substituted as the petitioner in place of Saturn Petrochemical Holdings Limited ("SPHL") and on 6 August 2013, KTL also made an application for the appointment of provisional liquidators in the Company. On 18 October 2013, the Bermuda Court ordered the appointment of the joint provisional liquidators of the Company. On 12 December 2013, the Company made an application to the Bermuda Court for the discharge of the joint provisional liquidators appointed to the Company (the "Discharge Application"). On 13 December 2013, the Bermuda Court ordered that the Camden Petition and the Discharge application be adjourned to 31 January 2014. A further hearing before the Bermuda Court took place on 31 January 2014 (Bermuda time) and the Camden Petition and Discharge Application further adjourned to 14 February 2014 (Bermuda time).

These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the favourable outcomes of the steps being taken by the directors of the Company as described in note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation and classification of non-current assets that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets. In the absence of sufficient documentary evidence, we were unable to ascertain whether the assumptions made by the directors of the Company in the preparation of the consolidated financial statements on a going concern basis were fair and reasonable and, accordingly, we were unable to satisfy ourselves that the use of the going concern assumption was appropriate. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the appropriateness of the use of the going concern assumption, which might have a consequential significant effect on the Group's and the Company's net liabilities as at 31 December 2012 and the loss of the Group for the year then ended, and the related disclosures thereof in the consolidated financial statements.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

REPORT ON MATTERS UNDER SECTIONS 141(4) AND 141(6) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding item (a) to (j) above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

- we were unable to determine whether proper books of account had been kept.

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 December 2011 were audited by previous auditors who expressed a disclaimer of opinion on those statements on 11 May 2012 as a result of uncertainties relating to going concern and uncertainty relating to the carrying amount of a disposal group classified as held for sale.

DIVIDENDS

The Board of Director does not recommend the declaration of a final dividend (2011: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2012, the Company did not purchase any PIK Notes Due 2015 (the "Notes") which are listed on the Singapore Stock Exchange.

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 has applied the principles and complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the year ended 31 December 2012 except for the deviations set out below.

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

According to code provision E.1.2 of the CG Code, the Chairman of the Board shall attend the annual general meeting to answer questions. The former Chairman of the Board, Mr. Tsoi Tin Chun, was unable to attend the last annual general meeting of the Company held on 29 June 2012 due to an overseas commitment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the Company's code of conduct regarding director securities transactions. Having made specific enquiries of the relevant directors, saved as disclosed below, all the relevant directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2012.

On 30 August 2012, (i) Titan Oil Pte Ltd., Great Logistics Holdings Limited, Titan Shipyard Investment Company Limited and Vision Jade Investments Limited (all of which were beneficially owned by Mr. Tsoi Tin Chun, a director of the Company at the time, and his spouse and referred to below as the "Tsoi Companies") entered into four sale and purchase agreements with Fame Dragon International Limited ("Fame Dragon"), in relation to the sale by the Tsoi Companies of an aggregate of 3,556,353,661 ordinary shares of the Company, and (ii) the irrevocable voting proxies in respect of the 3,556,353,661 ordinary shares of the Company were given by the Tsoi Companies in favour of Fame Dragon (collectively, the "Transactions"). The Transactions amounted to a "dealing" in the shares of the Company under the Model Code by Mr. Tsoi during the "black-out period" prescribed under Rule A.3(a) of the Model Code. The Board acknowledged that the circumstances prevailing at the time of the Transactions were exceptional. Further details of the Transactions and the Board's view on the Transactions were set out in the announcement of the Company dated 3 October 2012.

Mr. Tsoi resigned as a director of the Company with effect from 5 February 2013.

REVIEW OF FINANCIAL STATEMENTS

The Company has established an audit committee for the purposes of reviewing and monitoring the financial reporting process and internal controls of the Group.

The members of the audit committee of the Company during the year and up to the date of this announcement were Mr. John William Crawford *(Chairman),* Mr. Abraham Shek Lai Him and Mr. Foo Meng Kee (appointed on 27 December 2013). Ms. Maria Tam Wai Chu retired on 29 June 2012 as a member of the audit committee and Mr. Shane Frederick Weir was appointed on 29 June 2012 and retired on 30 September 2013.

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2012 and discussed the same with management and the external auditors and, as a result, 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.

LIST OF ANNOUNCEMENTS

The Company published numerous announcements since 18 March 2012 on the website of the Company at http://www.petrotitan.com and the website of the Stock Exchange at http://www.hkexnews.hk.

CONTINUED SUSPENSION IN TRADING

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

Hong Kong, 14 February 2014

As at the date of this announcement, the executive Directors are Mr. Zhao Xu Guang (Chairman), Mr. Tang Chao Zhang, Mr. Patrick Wong Siu Hung and Mr. Fu Yong Yuan; the non-executive Directors are Mr. Fan Qinghua and Mr. Hu Zhong Shan; and the independent non-executive Directors are Mr. John William Crawford, JP, Mr. Abraham Shek Lai Him, GBS JP and Mr. Foo Meng Kee.