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## **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 2015**

#### **CHAIRMAN'S STATEMENT**

During the twelve months ended 31 December 2015 (“period under review”), the road towards resumption for Titan Petrochemicals Group Limited (the “Company” or “Titan”, together with its subsidiaries, collectively the “Group”) was fraught with various difficulties and challenges. Nonetheless, with the unreserved support from the White Knight, Guangdong Zhenrong Energy Co., Ltd. (“GZE”), the Group restructured the board of directors and recued the Company from the threat of imminent liquidation.

It was a year full of challenges for the Company in 2015. We experienced an unexpected setbacks in the resumption. The completions of the subscription agreements under the Restructuring were not taken place as scheduled. All the agreements contemplated thereunder the Restructuring were therefore lapsed; and the Listing Division of the Stock Exchange placed the Company in the third stage of delisting. Resisting the pressure from the winding up petition in Bermuda and the change in listing status, the management, with the assistance from GZE, entered into certain agreements and supplemental agreements in relation to the business development and debt restructuring. A resumption proposal was submitted within thirty days from the date which the agreements were declared lapsed. At the same time, the management obtained a consent from the provisional liquidators who agreed to adjourn the winding up hearing in Bermuda and extend the long-stop date of the Scheme.

To lay a solid foundation to the Group's financial position and long-term business development,, the Group has entered into a subscription agreement (the "Subscription Agreement") with Chang Xin Asset Management Corporation ("Chang Xin", a company incorporated in China, mainly engaged in funds management), pursuant to which Chang Xin has conditionally agreed to subscribe for 2,600 million new Shares at the subscription price of HK\$0.1 per Share. This Subscription Agreement demonstrates the investors' vote of confidence in the growth prospects of our business and provides further working capital to the Group.

During July 2015, the Group received overwhelming support from the independent shareholders of the Company in the restructuring proposal and raising fund through issuance of new share. Meanwhile, the open offer received enthusiastic response and was oversubscribed of open offer share by 9.4. It represented the recognition and support of the shareholders of the Company ("Shareholders") to the Group's the restructuring proposal. The Group would like to express its sincere appreciation to all our Shareholders and wish the continuous support from the Shareholders, creditors and other stakeholders to the resumption and restructuring of the Company.

With the assistance and support from our major shareholder GZE, the management will, taking all the stakeholders' interest into account, remain consistently committed to proceed with the debt restructuring and the resumption proposal under the assistance of our financial and legal adviser, provisional liquidators and other professional. We look forward to sharing the fruitful results with our stakeholders in the not too distant future. Finally, I would like to express our sincere gratitude for the continuous support from our shareholders and the preserving efforts and dedications of all our colleagues and professional advisers.

**Fan Qinghua**  
*Chairman*

Hong Kong, 29 March 2016

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Results**

Titan Petrochemicals Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) did not have any operation and thus not generate any revenue from continuing operations for the years ended 31 December 2015 and 2014. The loss before tax from continuing operations was HK\$32 million, compared to the profit before tax from continuing operations of HK\$3,946 million in 2014. The loss for the year was HK\$242 million, mainly comprised of the loss from discontinued operation amounted to HK\$210 million, general and administrative expenses amounted to HK\$63 million and finance cost amounted to HK\$23 million offset by the unrealised exchange gain of HK\$54 million as presented as “Other gain”.

In view of the Group’s financial position, the Board proposed not to declare any dividend for the 2015 fiscal year.

### **Business Review**

The Group had been a provider of logistics, transportation, distribution and marine services for oil and petrochemical products in the Asia Pacific region and, in particular, in the People’s Republic of China (“Mainland China” or the “PRC”). 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**

#### ***Offshore Storage***

The Group provided oil storage, transit and blending services in Asia on a year round basis. Owing to the uncertain market status, this business segment was suspended since 2013.

#### ***Transportation***

The Group offered transportation services for oil and petrochemical products to customers in the Southeast Asian regions. Owing to volatile oil price fluctuations and the uncertain market status, this business segment was suspended since 2012.

#### ***Supply of Oil Products and Provision of Bunker Refueling Services***

The Group engaged in the supply of oil products and provision of bunker refueling services. There was no revenue during the year under review, and the segment loss before interest, tax, depreciation and amortisation (“LBITDA”) was HK\$69,000 as compared to HK\$1 million in the prior year.

## **Discontinued Operation**

### ***Shipbuilding (Shipyard)***

In December 2010, the Group entered into a sale and purchase agreement with Grand China Logistics Holding (Group) Company Limited (“Grand China Logistics”) (as amended and supplemented by further agreements dated 24 July 2011) (the “GCL Sale and Purchase Agreement”) for the disposal of its 95% equity interest in Titan Quanzhou Shipyard Co., Ltd. (“Titan Quanzhou Shipyard”) to Grand China Logistics for RMB1,666 million (equivalent to approximately HK\$2,001 million). This transaction, however, was not completed as Grand China Logistics failed to comply with its payment obligations.

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

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

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

There was no revenue during the years ended 31 December 2015 and 2014, and segment LBITDA was HK\$10 million and segment earnings before interest, tax, depreciation and amortisation (“EBITDA”) was HK\$23 million for the year ended 31 December 2015 and 2014 respectively.

## **Deconsolidation of Subsidiaries**

Titan Storage Limited (“TSL”), Estonia Capital Ltd., Titan Mars Limited, Sino Ocean Development Limited, Brookfield Pacific Ltd., Roswell Pacific Ltd., Titus International Ltd., Wynham Pacific Ltd., Wendelstar International Ltd. and Sewell Global Ltd. were placed into voluntary liquidation on 25 April 2014. Titan Leo Pte. Ltd., Neptune Associated Shipping Pte Ltd and Petro Titan Pte. Ltd. were placed into voluntary liquidation on 29 April 2014.

Accordingly, the Group had deconsolidated these subsidiaries, as a result of which the aggregate amounts due to the subsidiaries have been deconsolidated during the year ended 31 December 2014, while the amounts due from the deconsolidated subsidiaries were considered to be highly unrecoverable and thus were fully impaired as these subsidiaries were put into liquidation during the year ended 31 December 2014. There were no subsidiaries being deconsolidated during the year ended 31 December 2015.

## **Liquidity, Financial Resources, Charges on Assets and Gearing**

As at 31 December 2015, the Group’s net liabilities amounted to HK\$4,049 million, compared to HK\$3,833 million as at 31 December 2014.

The Group financed its operations mainly through the loans from the immediate holding company, the ultimate holding company, the banks and other independent third parties in Hong Kong and Mainland China. As at 31 December 2015,

a) The Group had:

- Cash and bank balances of HK\$10.0 million (2014: HK\$1.4 million) of which HK\$0.1 million (2014: HK\$0.1 million) was from the discontinued operation in respect of shipbuilding segment; restricted cash of HK\$26.5 million (2014: HK\$26.5 million) was from continuing operations. These balances were comprised of:
  - an equivalent of HK\$28.5 million (2014: HK\$26.7 million) denominated in US dollars (“USD”)
  - an equivalent of HK\$0.1 million (2014: HK\$0.2 million) denominated in Singapore dollars (“SG\$”)
  - an equivalent of HK\$1.0 million (2014: HK\$0.4 million) of which HK\$0.1 million (2014: HK\$0.1 million) was from the discontinued operation, denominated in Renminbi (“RMB”)
  - HK\$6.9 million (2014: HK\$0.6 million) in Hong Kong dollars (“HK\$”)

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

### a) (Continued)

- Interest-bearing bank and other loans of HK\$256 million (2014: HK\$272 million), of which HK\$250 million (2014: HK\$266 million) was from discontinued operation of shipbuilding segment. Floating rate loans denominated in USD amounted to HK\$6 million (2014: HK\$6 million). Group bank and other loans having maturities within one year amounted to HK\$6 million (2014: HK\$6 million) of which all were from continuing operations
- Loans from the ultimate holding company of HK\$1,936 million (2014: HK\$2,048 million), all of which having maturities over one year. Among such, HK\$1,840 million (2014: HK\$1,946 million) was from discontinued operation of shipbuilding segment
- Loans from the immediate holding company of HK\$143 million (2014: HK\$52 million), all of which had maturities over one year. However, HK\$3 million was in default, which were then presented as current liabilities as at 31 December 2015 and 2014

### 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\$785 million (2014: HK\$833 million)
- Machinery with an aggregate net carrying value of HK\$84 million (2014: HK\$119 million)
- Buildings with an aggregate net carrying value of HK\$435 million (2014: HK\$438 million)
- Prepaid land/seabed lease payments with an aggregate net carrying value of HK\$255 million (2014: HK\$266 million)

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

### b) (Continued)

- Investment property with an aggregate net carrying value of HK\$156 million (2014: HK\$166 million)
- Corporate guarantees executed by the Company and its subsidiaries
- Corporate guarantees executed by the subsidiaries of the ultimate holding company
- Personal guarantees executed by a related party and a former director of the Company
- Certain Company shares owned by related parties of the Company

c) The fixed rate guaranteed senior notes (the “Senior Notes Due 2012”) of HK\$882 million (2014: HK\$882 million), the guaranteed senior convertible notes (the “Convertible Notes Due 2015”) of HK\$442 million (2014: HK\$442 million) and the guaranteed senior payment-in-kind notes (the “PIK Notes Due 2015”) of HK\$89 million (2014: HK\$89 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:

- Current assets of HK\$2,839 million (2014: HK\$3,035 million) and total assets of HK\$2,997 million (2014: HK\$3,204 million), of which HK\$2,656 million (2014: HK\$2,861 million) was from the discontinued operation of shipbuilding segment
- Total bank and other loans of HK\$256 million (2014: HK\$272 million) of which HK\$250 million (2014: HK\$266 million) was from the discontinued operation in respect of shipbuilding segment
- The Senior Notes Due 2012 of HK\$882 million (2014: HK\$882 million)
- The Convertible Notes Due 2015 of HK\$442 million (2014: HK\$442 million)
- The PIK Notes Due 2015 of HK\$89 million (2014: HK\$89 million)

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

d) (Continued)

- Convertible preferred shares issued by the Company (the “Titan preferred shares”) with a liability portion of HK\$435 million (2014: HK\$421 million)
  - Notes payable (the “K-Line Notes Due 2013”) of HK\$203 million (2014: HK\$203 million)
  - Loans from the ultimate holding company of HK\$1,936 million (2014: HK\$2,048 million), of which HK\$1,840 million (2014: HK\$1,946 million) was from the discontinued operation of shipbuilding segment
  - Loans from the immediate holding company of HK\$143 million (2014: HK\$52 million)
- e) The Group’s current ratio was 0.42 (2014: 0.44). The gearing of the Group, calculated as the total bank and other loans, the Senior Notes Due 2012, the Convertible Notes Due 2015, the K-Line Notes Due 2013, the PIK Notes Due 2015, loans from the ultimate holding company and loans from the immediate holding company to total assets, increased to 1.32 (2014: 1.24).
- f) The Group operated in Mainland China, Hong Kong and Singapore and primarily used RMB for the business in Mainland China, HK\$ in Hong Kong and USD and SG\$ in Singapore. The Group does not use any financial instruments for speculative purposes.

## Employees and Remuneration Policies

As at 31 December 2015, the Group had 173 employees (2014: 185), of which 151 employees (2014: 157) worked in Mainland China, all of which were from Titan Quanzhou Shipyard, and 20 employees and 2 employees (2014: 26 and 2) were based in Hong Kong and Singapore, respectively. 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.



## Material Litigations

### 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 (“JPLs”) on 27 August 2012 (Bermuda time) with the Supreme Court of Bermuda (the “Bermuda Court”). The SPHL Petition, which remained undismissed or unstayed for a period of 60 consecutive days (i.e. on or before 6 September 2012 (Bermuda time)), caused an event of default to occur under the PIK Notes Due 2015 and the Convertible Notes Due 2015.

The SPHL Petition was subsequently struck out by the Bermuda Court, and KTL Camden Inc. (“Camden”) was substituted as the petitioner in place of SPHL upon its application to the Bermuda Court. Camden claimed that TSL, a subsidiary of the Company (which was put into liquidation in April 2014), 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 Bermuda Companies Act 1981) (the “Act”) of the Company, without the approval of the Bermuda Court or without 7 days’ written notice of the same to Camden.

On 18 October 2013 (Bermuda time), the Bermuda Court ordered the appointment of two JPLs to the Company with specified powers as set out in the announcement of the Company dated 22 October 2013. Those powers were varied by order of the Bermuda Court on 14 February 2014 (Bermuda time) as disclosed in the announcement of the Company dated 18 February 2014.

## **Material Litigations (Continued)**

### **a) *Bermuda Proceedings (Continued)***

The hearing of the winding-up petition has been adjourned on numerous occasions to allow the Company to implement its restructuring (the “Restructuring”), with the latest adjournment being until 1 April 2016 (Bermuda time).

The details are disclosed in note 21 of the consolidated financial statements.

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

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

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

On 18 July 2012 (BVI time), Titan Oil Storage Investment Limited (“TOSIL”), a wholly owned subsidiary of the Company and a shareholder of TGIL, filed a notice of appeal (“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 Appeal was stayed until 20 March 2013 (BVI time) by consent of TOSIL as appellant and SSL and TGIL as respondents. It is intended that the Appeal will be withdrawn as part of the settlement of all litigation relating to the Group pursuant to the settlement deed.

## **Material Litigations (Continued)**

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

The liquidators of TGIL have made a numbers of distributions to creditors of TGIL, but continue to hold certain funds pending the resolution of certain tax issues.

The details are disclosed in the note 21 to the consolidated financial statements.

### ***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 High 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, among other remedies, specific performance of the IRA, injunctive relief, declaratory relief, an indemnity, damages, interest and costs (the “Hong Kong Proceedings”).

The Hong Kong Proceedings were stayed until 15 March 2013. Subsequently, on 15 November 2013, SSL was ordered by the Hong Kong High Court to provide security for the defendants’ costs of the proceedings. SSL failed to provide such security and the proceedings remained stayed.

A second case management conference was fixed for hearing on 17 November 2014, 13 March 2015, 7 July 2015 and 17 November 2015 respectively. On 6 January 2016 that the case management conference fixed to be heard on 23 February 2016 be vacated and adjourned to 12 April 2016 and attempting the finalisation of the global settlement among the parties.

The details are disclosed in the note 21 to the consolidated financial statements.

### ***d) Other Proceedings***

Details of other proceedings are disclosed in the note 4 and note 13 to the consolidated financial statements.

## **Debt Restructuring**

On 25 November 2013, the Company announced, among other things, to restructure the scheme claims of all creditors of the Company bound by a Bermudan Scheme of arrangement (the “Scheme Creditors”) (the “Creditors’ Scheme”).

On 22 October 2014, separate meetings of Existing Notes Creditors and of Non-Note Creditors (as defined in the Creditors’ Scheme) (the “Scheme Meetings”) were held on the same date to consider and approve the Creditors’ Scheme. At both Scheme Meetings, a majority in number of the Scheme Creditors present and voting (in person or by proxy), representing not less than three-fourths in value of the accepted claims of Scheme Creditors present and voting (either in person or by proxy), have voted in favour of the Creditors’ Scheme. Accordingly, the Creditors’ Scheme was duly approved at the Scheme Meetings. The Creditors’ Scheme was sanctioned by the Bermuda Court on 5 November 2014 and became effective and binding on all Scheme Creditors upon a copy of the order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Act on the same date.

On 11 March 2016 (Bermuda time), the Bermuda Court ordered to extend the long stop date of the Creditors’ Scheme of the Company to 1 April 2016 (Bermuda time).

## **Suspension of trading and listing status**

The completion of the subscription agreements signed with Paliburg Company Limited and Victory Stand Limited had not been taken place by 4 September 2015. Accordingly, the open offer did not proceed and the agreements entered into pursuant to the restructuring did not become unconditional and had therefore lapsed and the whitewash waiver granted by the Securities and Futures Commission of Hong Kong and approved at the special general meeting of the Company held on 22 June 2015 was invalidated.

On 18 September 2015, the Listing Division of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) issued a letter to the Company informing the Company that they have decided to place the Company in the third stage of delisting under Practice Note 17 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The third stage of delisting will expire on 1 April 2016 and at the end of the third stage of delisting, if the Company does not provide a resumption proposal in accordance with the requirement of the Stock Exchange, the Stock Exchange will proceed with cancellation of the Company’s listing.

## **Suspension of trading and listing status (Continued)**

According to the letter, the Company is required to submit a viable resumption proposal to the Stock Exchange at least 10 business days before the third stage of delisting expires (i.e. 15 March 2016) to addressing 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 (if any); and
- iii) the Company must have winding up petition against the Company withdrawn or dismissed and the JPLs discharged.

The Stock Exchange requires the resumption proposal to be submitted to the Stock Exchange must be clear, plausible and coherent, and contain sufficient details (including forecasts and clear plan for future business development) for the Stock Exchange's assessment and demonstrate compliance with the Listing Rules and all applicable laws and regulations.

The Company has submitted a resumption proposal on 16 October 2015 (Bermuda time) (the "Resumption Proposal"). In response to the comments from the Stock Exchange in respect of the Resumption Proposal, the Company has submitted to the Stock Exchange updated versions of the Resumption Proposal on 17 November 2015, 31 December 2015 and 25 January 2016. In support of the resumption proposal, the Company has also entered into certain agreements and certain supplemental agreements in relation to its business development and debt restructuring.

On 14 March 2016, the Company received a letter from the Stock Exchange to allow the Company to proceed with the Resumption Proposal subject to satisfying of certain conditions by 15 July 2016, including among others:

- i) completion of all transactions contemplated under the Resumption Proposal; and
- ii) the Company must have the winding up petition withdrawn or dismissed and the provisional liquidators discharged.

The Stock Exchange may raise further comments or impose additional conditions on the Resumption Proposal.

The Company has entered into certain agreements in relation to the Restructuring. Further announcement(s) will be made by the Company as and when appropriate.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>	2	–	–
Cost of sales		–	–
<b>Gross loss</b>		–	–
Other revenue		61	178,353
Other gain		54,910	2,294
Gain on deconsolidation of subsidiaries	5(a)	–	4,134,534
General and administrative expenses		(63,666)	(210,901)
Finance costs	6	(22,911)	(22,585)
Impairment losses on amounts due from deconsolidated subsidiaries	5(d)	–	(135,461)
Loss arising on change in fair value of investment property		(505)	(510)
(Loss)/profit before tax from continuing operations	7	(32,111)	3,945,724
Income tax credit	8	126	113
(Loss)/profit for the year from continuing operations		(31,985)	3,945,837
<b>DISCONTINUED OPERATION</b>			
Loss for the year from discontinued operation	4(b)	(209,796)	(166,463)
<b>(LOSS)/PROFIT FOR THE YEAR</b>		(241,781)	3,779,374
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the Company		(241,781)	3,779,374
Non-controlling interests		–	–
		(241,781)	3,779,374
<b>BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
	9		
From continuing and discontinued operations			
Basic per share		(HK3.09 cents)	HK48.33 cents
Diluted per share		(HK3.09 cents)	HK45.30 cents
From continuing operations			
Basic per share		(HK0.41 cents)	HK50.45 cents
Diluted per share		(HK0.41 cents)	HK47.29 cents

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2015*

	<b>2015</b>	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>(Loss)/profit for the year</b>	<u><b>(241,781)</b></u>	<u>3,779,374</u>
Other comprehensive income/(loss)		
Items that will not be reclassified to profit or loss:		
Revaluation gain of prepaid land lease payment upon reclassification to investment property	–	142,324
Income tax arising from revaluation gain thereof	<u>–</u>	<u>(34,219)</u>
	<u>–</u>	<u>108,105</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u>25,357</u>	<u>2,767</u>
	<u>25,357</u>	<u>2,767</u>
Other comprehensive income for the year, net of tax	<u>25,357</u>	<u>110,872</u>
<b>Total comprehensive (loss)/income for the year</b>	<u><b>(216,424)</b></u>	<u>3,890,246</u>
<b>Total comprehensive (loss)/income attributable to:</b>		
Owners of the Company	<b>(216,424)</b>	3,890,246
Non-controlling interests	<u>–</u>	<u>–</u>
	<u><b>(216,424)</b></u>	<u>3,890,246</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,152</b>	3,138
Investment property	<i>10</i>	<b>156,154</b>	166,223
		<hr/>	<hr/>
Total non-current assets		<b>158,306</b>	169,361
<b>CURRENT ASSETS</b>			
Prepayments, deposits and other receivables		<b>146,926</b>	145,555
Restricted cash		<b>26,547</b>	26,520
Cash and cash equivalents		<b>9,869</b>	1,315
		<hr/>	<hr/>
		<b>183,342</b>	173,390
Assets of a disposal group classified as held for sale	<i>4(b)</i>	<b>2,655,804</b>	2,861,227
		<hr/>	<hr/>
Total current assets		<b>2,839,146</b>	3,034,617
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank and other loans		<b>5,850</b>	5,850
Accounts payable	<i>12</i>	<b>217,731</b>	217,731
Other payables and accruals	<i>13</i>	<b>742,850</b>	774,100
Fixed rate guaranteed senior notes	<i>14</i>	<b>882,329</b>	882,329
Guaranteed senior convertible notes	<i>15</i>	<b>441,753</b>	441,753
Guaranteed senior payment-in-kind notes	<i>16</i>	<b>88,657</b>	88,657
Liability portion of convertible preferred shares	<i>17</i>	<b>435,325</b>	420,717
Notes payable	<i>18</i>	<b>202,896</b>	202,896
Tax payable		<b>1,008</b>	1,069
Amounts due to the ultimate holding company		<b>898,854</b>	947,503
Amount due to the immediate holding company		<b>2,526</b>	87
Loans from the immediate holding company		<b>3,000</b>	3,000
		<hr/>	<hr/>
		<b>3,922,779</b>	3,985,692
Liabilities directly associated with the assets classified as held for sale	<i>4(b)</i>	<b>2,855,067</b>	2,865,369
		<hr/>	<hr/>
Total current liabilities		<b>6,777,846</b>	6,851,061



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2015

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
<b>NET CURRENT LIABILITIES</b>		<u><b>(3,938,700)</b></u>	<u>(3,816,444)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>(3,780,394)</b></u>	<u>(3,647,083)</u>
<b>NON-CURRENT LIABILITIES</b>			
Amount due to the immediate holding company		–	456
Loans from the ultimate holding company		<b>96,392</b>	102,293
Loans from the immediate holding company		<b>140,240</b>	48,681
Deferred tax liabilities		<u><b>32,032</b></u>	<u>34,121</u>
Total non-current liabilities		<u><b>268,664</b></u>	<u>185,551</u>
<b>Net liabilities</b>		<u><u><b>(4,049,058)</b></u></u>	<u><u>(3,832,634)</u></u>
<b>DEFICIENCY IN ASSETS</b>			
<b>Deficiency attributable to owners of the Company</b>			
Share capital	<i>19</i>	<b>78,206</b>	78,206
Deficits		<u><b>(4,127,264)</b></u>	<u>(3,910,840)</u>
<b>Deficiency in assets</b>		<u><u><b>(4,049,058)</b></u></u>	<u><u>(3,832,634)</u></u>

## 1 BASIS OF PREPARATION

These consolidated financial statements of Titan Petrochemicals Group Limited (the “Company”) and its subsidiaries (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. These consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). They have been prepared under the historical cost convention, except for the investment property, which has been measured at fair value. All the assets and liabilities as at 31 December 2015 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 consolidated 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 (the “Directors”) have used their best endeavors to locate all the financial and business records of the Group. The access to most of the books and records of its subsidiaries which operated in Singapore have not been able to be located as a consequence of the re-location of the operating office and servers, together with the 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 and certain British Virgin Islands (the “BVI”) subsidiaries were put into liquidation in 2013 and 2014 and the records have since been under the control of the Liquidators. 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 2014.

### 1.1 GOING CONCERN BASIS

During the year ended 31 December 2015, the Group incurred losses of HK\$241,781,000, and as of that date, the Group had net current liabilities and net liabilities of HK\$3,938,700,000 and HK\$4,049,058,000 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.

Major events in which the Group are involved are summarised below:

#### a) **Material Proceedings**

##### ***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, among 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) Material Proceedings (Continued)

#### *Bermuda proceedings (Continued)*

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 joint provisional liquidators (“JPLs”) of the Company with limited powers.

On 14 February 2014 (Bermuda time), the powers of the JPLs were varied by the Bermuda Court.

The winding up petition against the Company by Camden was adjourned to 1 April 2016 (Bermuda time), further details of which are set out in note 21.

### 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 has been engaging in discussions with the Group’s creditors, potential creditors as well as investors or potential investors in relation to the debt restructuring and fund raising (by way of debt financing and equity financing) proposals. Certain agreements in relation to the debt restructuring and fund raising have been entered into with the relevant parties (details of the agreements are set out in the announcements of the Company dated 25 November 2013, 5 May 2014 and 30 May 2014). As announced by the Company on 30 May 2014, the Company has submitted a resumption proposal on 5 May 2014 and has entered into certain agreements in relation to its business development and debt restructuring.

As further set out in note 24, the resumption proposal submitted to the Stock Exchange lapsed on 18 September 2015. As announced by the Company on 5 November 2015, the Company has submitted another resumption proposal on 16 October 2015 (Bermuda time) (the “Resumption Proposal”). In support of the Resumption Proposal, the Company has also entered into certain agreements and certain supplemental agreements in relation to its business development and debt restructuring.

Further details of the agreements will be disclosed in a separate announcement to be released by the Company.

## 1.1 GOING CONCERN BASIS (Continued)

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company (the “Restructuring”) 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.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2015. 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 continues 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 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following amended HKFRSs and HKASs issued by the HKICPA which became effective for accounting periods beginning on or after 1 January 2015.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

## 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

### **Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions**

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The Directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

### **Annual Improvements to HKFRSs 2010-2012 Cycle**

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below. The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

## **1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

### **Annual Improvements to HKFRSs 2010-2012 Cycle (Continued)**

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

### **Annual Improvements to HKFRSs 2011-2013 Cycle**

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- a) the property meets the definition of investment property in terms of HKAS 40; and
- b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

### 1.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and revised HKFRSs and HKASs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>4</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>3</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>3</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>3</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>2</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2019.

The Group is in the process of assessing the potential impact of the above new and revised HKFRSs upon initial application but is not yet in a position to state whether the above HKFRSs will have a significant impact on the Group's and the Company's results of operations and financial position.

### 1.4 NEW HONG KONG COMPANIES ORDINANCE (CAP. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Stock Exchange relating to the disclosure of financial information with reference to the new Hong Kong Companies Ordinance (Cap. 622). The main impact relates to the presentation and disclosure of certain information in the consolidated financial statements.

## 2. REVENUE

The Group did not generate any revenue during the year ended 31 December 2015 (2014: HK\$Nil).

## 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).

Management monitors the results of its operating segments separately for the purposes of making decisions about resources allocations and performance assessments. Segment performance is evaluated based on reportable segment (loss)/profit, which is a measure of adjusted (loss)/profit before tax from continuing operations. The adjusted (loss)/profit before tax from continuing operations is measured consistently with the Group's (loss)/profit 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 2015.

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. There were no intersegment sales in the current year (2014: HK\$Nil).

### Year ended 31 December 2015

	Provision of logistic services		Supply of oil products and provision of bunker refueling services HK\$'000	Continuing operations Total HK\$'000	Discontinued operation Shipbuilding HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
	Offshore storage HK\$'000	Transportation HK\$'000					
<b>Segment revenue</b>							
- Revenue from external customers	-	-	-	-	-	-	-
<b>Segment results</b>	-	-	(69)	(69)	(65,524)	-	(65,593)
Adjusted for:							
- Interest income	-	-	-	-	-	28	28
- Other revenue	-	-	-	-	-	33	33
- Other gain	-	-	-	-	-	54,910	54,910
- Other expenses	-	-	-	-	-	(63,597)	(63,597)
<i>Add:</i> Depreciation and amortisation	-	-	(69)	(69)	(65,524)	(8,626)	(74,219)
Operating loss before interest, tax, depreciation and amortisation ("LBITDA")	-	-	(69)	(69)	(9,686)	(7,644)	(17,399)
Loss arising on change in fair value of investment property	-	-	-	-	-	(505)	(505)
LBITDA	-	-	(69)	(69)	(9,686)	(8,149)	(17,904)
Depreciation and amortisation	-	-	-	-	(55,838)	(982)	(56,820)
Finance costs	-	-	-	-	(145,501)	(22,911)	(168,412)
<b>Loss before tax</b>	-	-	(69)	(69)	(211,025)	(32,042)	(243,136)



### 3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2014

	Provision of logistic services		Supply of oil products and provision of bunker refueling services HK\$'000	Continuing operations	Discontinued operation	Unallocated HK\$'000	Consolidated HK\$'000
	Offshore storage HK\$'000	Transportation HK\$'000		Total HK\$'000	Shipbuilding HK\$'000		
<b>Segment revenue</b>							
- Revenue from external customers	-	-	-	-	-	-	-
<b>Segment results</b>	142	67	(1,363)	(1,154)	(31,941)	-	(33,095)
Adjusted for:							
- Interest income	-	-	-	-	1	28	29
- Other revenue	-	-	-	-	-	178,323	178,323
- Other gain	-	-	-	-	-	2,085	2,085
- Other expenses	-	-	-	-	-	(209,536)	(209,536)
Add: Depreciation and amortisation	142	67	(1,363)	(1,154)	(31,940)	(29,100)	(62,194)
	-	-	41	41	54,650	1,360	56,051
Operating earnings before interest, tax, depreciation and amortisation ("EBITDA")/ (LBITDA)	142	67	(1,322)	(1,113)	22,710	(27,740)	(6,143)
Impairment losses on amounts due from deconsolidated subsidiaries	-	-	-	-	-	(135,461)	(135,461)
Gain on deconsolidation of subsidiaries	-	-	-	-	-	4,134,534	4,134,534
Loss arising on change in fair value of investment property	-	-	-	-	-	(510)	(510)
EBITDA/LBITDA	142	67	(1,322)	(1,113)	22,710	3,970,823	3,992,420
Depreciation and amortisation	-	-	(41)	(41)	(54,650)	(1,360)	(56,051)
Finance costs	-	-	-	-	(135,752)	(22,585)	(158,337)
<b>Profit/(loss) before tax</b>	142	67	(1,363)	(1,154)	(167,692)	3,946,878	3,778,032

Year ended 31 December 2015

	Provision of logistic services		Supply of oil products and provision of bunker refueling services HK\$'000	Continuing operations	Discontinued operation	Consolidated HK\$'000
	Offshore storage HK\$'000	Transportation HK\$'000		Total HK\$'000	Shipbuilding HK\$'000	
<b>Other segment information</b>						
Depreciation and amortisation	-	-	-	-	55,838	55,838
Unallocated depreciation and amortisation				982		982
				982		56,820
Capital expenditures*	-	-	-	-	-	-
Unallocated capital expenditures				54		54
				54		54
Impairment of accounts receivable	-	-	-	-	-	-
Impairment of prepayments, deposits and other receivables	-	-	-	-	-	-
Unallocated impairment of prepayments, deposits and other receivables				-		-
				-		-

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

### 3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2014

	Provision of logistic services		Supply of oil products and provision of bunker refueling services <i>HK\$'000</i>	Continuing operations	Discontinued operation	Consolidated <i>HK\$'000</i>
	Offshore storage <i>HK\$'000</i>	Transportation <i>HK\$'000</i>		Total <i>HK\$'000</i>	Shipbuilding <i>HK\$'000</i>	
<b>Other segment information</b>						
Depreciation and amortisation	-	-	41	41	54,650	54,691
Unallocated depreciation and amortisation				1,360		1,360
				<u>1,401</u>		<u>56,051</u>
Capital expenditures*	-	-	-	-	19	19
Unallocated capital expenditures				29		29
				<u>29</u>		<u>48</u>
Impairment of accounts receivable	-	-	180	180	-	180
Impairment of prepayments, deposits and other receivables	-	-	-	-	-	-
Unallocated impairment of prepayments, deposits and other receivables				2,361		2,361
				<u>2,361</u>		<u>2,361</u>

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

### 3. OPERATING SEGMENT INFORMATION (Continued)

#### Geographical information

	The People's Republic of China (the "Mainland China" or the "PRC")		Other Asia Pacific countries		Consolidated	
	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>a) Revenue</b>						
Revenue from external customers	-	-	-	-	-	-
Attributable to discontinued operation – shipbuilding	-	-	-	-	-	-
Revenue from continuing operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>b) Other information</b>						
Segment assets	<b>2,816,998</b>	3,032,569	<b>180,454</b>	171,409	<b>2,997,452</b>	3,203,978
Segment liabilities	<b>3,192,033</b>	3,216,717	<b>3,854,477</b>	3,819,895	<b>7,046,510</b>	7,036,612
Capital expenditures	-	19	<b>54</b>	29	<b>54</b>	48
Impairment of accounts receivable	-	180	-	-	-	180
Impairment of prepayments, deposits and other receivables	-	1,147	-	1,214	-	2,361

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 were recorded/reversed.

#### Information about major customers

The Group did not generate any revenues for the years ended 31 December 2015 and 2014, thus, no customers nor transactions have exceeded 10% of the Group's total revenue.

#### 4. DISCONTINUED OPERATION

##### a) Shipbuilding – Titan Quanzhou Shipyard Co., Ltd. (“Titan Quanzhou Shipyard” or “TQS”)

On 11 December 2010, the Company entered into a sale and purchase agreement with Grand China Logistics Holding (Group) Company Limited (“Grand China Logistics”) (the “GCL Sale and Purchase Agreement”) 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\$2,241,011,000) or a maximum reduced consideration of RMB1,465,670,000 (equivalent to approximately HK\$1,760,538,000) 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\$2,000,774,000).

However, only RMB740,000,000 was received from Grand China Logistics in connection with the GCL Sale and Purchase Agreement and, accordingly 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” or “TQSL Holding”) and Titan Petrochemicals (Fujian) Ltd (“Titan Fujian”) seeking, among other things, the termination of the GCL Sale and Purchase Agreement and repayment of the aggregate amount of RMB740,000,000 (equivalent to approximately HK\$888,875,000) paid in accordance with the GCL Sale and Purchase Agreement.

On 10 June 2013, the Company received a notification that Grand China Logistics had 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 Guangdong Zhenrong Energy Co., Ltd (“GZE”) and on 26 December 2013 上海市第一中级人民法院 (Shanghai No.1 Intermediate People’s Court) (the “Shanghai Intermediate Court”) ordered the discontinuation of proceedings.

On 5 May 2014, the Company, Titan Fujian and TQSL Holding entered into an agreement (as supplemented and amended by the supplemental agreements on 27 February 2015, 28 May 2015, 30 July 2015 and 16 October 2015) (the “Shipyard Termination Agreement”) with GZE, pursuant to which the parties conditionally agreed that the GCL Sale and Purchase Agreement be terminated and that, in lieu of the repayment of the RMB740,000,000 originally paid by Grand China Logistics to Titan Fujian and TQSL Holding, the Company would issue 9,382,164,000 new ordinary shares of the Company (the “Shares”) at the issue price of HK\$0.10 to GZE.

The Shipyard Termination Agreement will only be effective upon the satisfaction of certain conditions.

#### 4. DISCONTINUED OPERATION (Continued)

##### a) Shipbuilding – Titan Quanzhou Shipyard Co., Ltd. (“Titan Quanzhou Shipyard” or “TQS”) (Continued)

As disclosed in the Company’s announcements dated 28 May 2015, 7 August 2015 and 5 November 2015, on 28 May 2015, 30 July 2015 and 16 October 2015, the Company, Titan Fujian and Titan TQSL entered into supplemental agreements, pursuant to which the parties agreed to extend the long stop date of the Shipyard Termination Agreement to 31 July 2015, 31 August 2015 and 30 April 2016 respectively.

Further details in respect of the above were included in the announcement on 5 November 2015. Further announcement(s) will be made by the Company as and when appropriate.

As at 31 December 2015 and 2014, the assets and liabilities related to the discontinued operation, shipbuilding and building of ship repair facilities, have been presented in the consolidated statement of financial position as “Assets of a disposal group classified as held for sale” and “Liabilities directly associated with the assets classified as held for sale”. The results for the years ended 31 December 2015 and 2014 are included in the consolidated statement of profit and loss as “Loss for the year from discontinued operation”.

##### b) Financial information on Titan Quanzhou Shipyard

The combined results of Titan Quanzhou Shipyard for the year are presented below.

	<i>Notes</i>	<b>2015</b> <b>HK\$’000</b>	2014 <i>HK\$’000</i>
Other revenue		<b>20</b>	50,256
Other gain		<b>11,542</b>	687
General and administrative expenses		<b>(77,086)</b>	(82,883)
Finance costs	6	<b>(145,501)</b>	(135,752)
<b>Loss before tax</b>	4(c)	<b>(211,025)</b>	(167,692)
Income tax credit		<b>1,229</b>	1,229
<b>Loss for the year from discontinued operation</b>		<b>(209,796)</b>	(166,463)

#### 4. DISCONTINUED OPERATION (Continued)

##### b) Financial information on Titan Quanzhou Shipyard (Continued)

The major classes of assets and liabilities of Titan Quanzhou Shipyard classified as held for sale as at 31 December 2015 and 2014 are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Assets</b>		
Property, plant and equipment	2,299,402	2,488,687
Prepaid land/seabed lease payments	293,982	306,345
Inventories	42,053	44,627
Prepayments, deposits and other receivables	20,247	21,437
Cash and cash equivalents	120	131
	<hr/>	<hr/>
Assets of a disposal group classified as held for sale	2,655,804	2,861,227
	<hr/>	<hr/>
<b>Liabilities</b>		
Interest-bearing bank and other loans	250,333	265,658
Accounts payable ( <i>Note i</i> )	88,806	93,861
Other payables and accruals ( <i>Note ii</i> )	424,447	416,533
Amounts due to the ultimate holding company	193,532	83,949
Loans from the ultimate holding company	1,839,975	1,946,165
Deferred tax liabilities	57,974	59,203
	<hr/>	<hr/>
Liabilities directly associated with the assets classified as held for sale	2,855,067	2,865,369
	<hr/>	<hr/>
<b>Net liabilities directly associated with the disposal group</b>	<b>(199,263)</b>	<b>(4,142)</b>
	<hr/> <hr/>	<hr/> <hr/>

##### *Notes*

- i) Included in the trade payables of Titan Quanzhou Shipyard amounted to approximately HK\$34,728,000 (2014: HK\$36,854,000) were claimed from various suppliers in respect of legal actions brought to the courts of the PRC against Titan Quanzhou Shipyard.
- ii) Included in the other payables and accruals of Titan Quanzhou Shipyard amounted to approximately HK\$35,698,000 (2014: HK\$32,335,000) were claimed from various parties in respect of legal actions brought to the courts of the PRC against Titan Quanzhou Shipyard.

#### 4. DISCONTINUED OPERATION (Continued)

##### b) Financial information on Titan Quanzhou Shipyard (Continued)

The combined net cash flows incurred by Titan Quanzhou Shipyard are summarised as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Net cash (outflow)/inflow from:</b>		
Operating activities	(6,409)	(77)
Investing activities	–	(19)
Financing activities	<u>6,394</u>	<u>–</u>
<b>Net cash outflow</b>	<u><u>(15)</u></u>	<u><u>(96)</u></u>

##### c) Loss before tax

The Group's loss before tax is arrived at after (crediting)/charging the amounts in discontinued operation as set out below.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Depreciation	48,726	47,520
Amortisation of prepaid land/seabed lease payments	7,112	7,130
Foreign exchange differences, net	(11,542)	(687)
Bank interest income	<u>–</u>	<u>(1)</u>

#### 5. DECONSOLIDATION OF SUBSIDIARIES

During the year ended 31 December 2014, ten wholly owned subsidiaries of the Group that were incorporated in the BVI and three wholly owned subsidiaries of the Group that were incorporated in Singapore have been placed into liquidation.

Titan Storage Limited (“TSL”), Estonia Capital Ltd., Titan Mars Limited, Sino Ocean Development Limited, Brookfield Pacific Ltd., Roswell Pacific Ltd., Titus International Ltd., Wynham Pacific Ltd., Wendelstar International Ltd. and Sewell Global Ltd. were placed into voluntary liquidation on 25 April 2014. Titan Leo Pte. Ltd., Neptune Associated Shipping Pte Ltd and Petro Titan Pte. Ltd. were placed into voluntary liquidation on 29 April 2014.

Accordingly, the Group had deconsolidated these subsidiaries as the Directors considered that the Group's control over these subsidiaries had been lost during the year ended 31 December 2014 and there were no subsidiaries being deconsolidated during the year ended 31 December 2015.

## 5. DECONSOLIDATION OF SUBSIDIARIES (Continued)

The gain on deconsolidation of these subsidiaries and the net cash outflow arising on deconsolidation of subsidiaries were set out as below.

### a) Gain on deconsolidation of subsidiaries

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Prepayments, deposits and other receivables		–	11,679
Amounts due from deconsolidated fellow subsidiaries		–	2,087,170
Accounts payable		–	(133,710)
Amounts due to the intermediate holding company		–	(134,987)
Amounts due to fellow subsidiaries		–	(476)
Amounts due to deconsolidated fellow subsidiaries		–	(5,918,946)
Other payables and accruals		–	(46,710)
		<u>–</u>	<u>–</u>
<b>Net liabilities of deconsolidated subsidiaries attributable to the Group</b>		<u>–</u>	<u>(4,135,980)</u>
Release of exchange fluctuation reserve		–	(1,446)
Net liabilities of deconsolidated subsidiaries attributable to the Group		<u>–</u>	<u>4,135,980</u>
Gain on deconsolidation of subsidiaries		<u>–</u>	<u>4,134,534</u>
<b>b) Net cash outflow arising on deconsolidation of subsidiaries</b>			
Cash and cash equivalents of deconsolidated subsidiaries		<u>–</u>	<u>–</u>
<b>c) Amounts due to deconsolidated subsidiaries were included in the consolidated statement of financial position as follows:</b>			
Other payables and accruals	<i>13</i>	–	390,121
Liabilities directly associated with the assets classified as held for sale		<u>–</u>	<u>114,000</u>
		<u>–</u>	<u>504,121</u>
<b>d) Impairment losses:</b>			
Impairment losses on amounts due from deconsolidated subsidiaries ( <i>Note</i> )		<u>–</u>	<u>135,461</u>



## 5. DECONSOLIDATION OF SUBSIDIARIES (Continued)

### d) Impairment Losses (Continued)

*Note:*

There was no impairment made for the amounts due from deconsolidated subsidiaries for the year ended 31 December 2015.

During the year ended 31 December 2014, impairments have been made for the amounts due from deconsolidated subsidiaries due to the amounts are highly unrecoverable and which are determined by reference to the estimation of future cash flows expected to be generated from the deconsolidated subsidiaries. Accordingly, impairment losses of HK\$135,461,000 were recognised during the year ended 31 December 2014.

## 6. FINANCE COSTS

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Interest on:			
Bank and other loans		<b>25,159</b>	17,180
Loans from the immediate holding company		<b>1,983</b>	516
Loans from the ultimate holding company		<b>126,662</b>	125,133
Dividends on the convertible preferred shares of the Company (the "Titan preferred shares")		<b>14,608</b>	14,607
Other finance costs		<b>–</b>	901
Total interest expenses		<b><u>168,412</u></b>	<u>158,337</u>
Attributable to continuing operations		<b>22,911</b>	22,585
Attributable to discontinued operation	<i>4(b)</i>	<b><u>145,501</u></b>	<u>135,752</u>
		<b><u>168,412</u></b>	<u>158,337</u>

## 7. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after (crediting)/charging the amounts in continuing operations as set out below.

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Depreciation	<b>982</b>	1,216
Amortisation of prepaid land/seabed lease payments	–	185
Foreign exchange differences, net	<b>(54,910)</b>	(2,294)
Bank interest income	<b>(28)</b>	–
	<b><u>          </u></b>	<b><u>          </u></b>

## 8. INCOME TAX CREDIT

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:

	<b>2015</b>	2014
Hong Kong	<b>16.5%</b>	16.5%
Singapore	<b>17.0%</b>	17.0%
Mainland China	<b>25.0%</b>	25.0%
	<b><u>          </u></b>	<b><u>          </u></b>

### Hong Kong

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong for the year ended 31 December 2015 (2014: HK\$Nil).

### Singapore

No provision for taxation has been made as the subsidiaries in Singapore did not generate any assessable profit for the year ended 31 December 2015 (2014: HK\$Nil).

## 8. INCOME TAX CREDIT (Continued)

### Mainland China

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Current tax:		
Hong Kong:		
Underprovision in prior years	—	14
	—	14
Deferred tax:		
Credit for the year	(126)	(127)
	<b>(126)</b>	<b>(113)</b>

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

### From continuing and discontinued operations

The calculation of the basic and diluted (loss)/earnings per Share attributable to owners of the Company is based on the following data:

	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purpose of basic (loss)/earnings per Share		
(Loss)/profit for the year attributable to owners of the Company	(241,781)	3,779,374
Effect of dilutive potential ordinary shares:		
Dividends on Titan preferred shares ( <i>Note</i> )	—	14,607
(Loss)/earnings for the purpose of diluted (loss)/earnings per Share	<b>(241,781)</b>	<b>3,793,981</b>

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

**Number of shares**

	<b>2015</b>	2014
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per Share	<b>7,820,554,682</b>	7,820,554,682
Effect of dilutive potential ordinary shares:		
Titan preferred shares ( <i>Note</i> )	<u>–</u>	<u>555,000,000</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per Share	<u><b>7,820,554,682</b></u>	<u>8,375,554,682</u>

**From continuing operations**

The calculation of the basic and diluted (loss)/earnings per Share from continuing operations attributable to owners of the Company is based on the following data:

(Loss)/earnings figures are calculated as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
(Loss)/profit for the year attributable to owners of the Company	<b>(241,781)</b>	3,779,374
<i>Add:</i>		
Loss for the year from discontinued operation	<u>209,796</u>	<u>166,463</u>
(Loss)/earnings for the purpose of basic (loss)/earnings per Share from continuing operations	<b>(31,985)</b>	3,945,837
Effect of dilutive potential ordinary shares:		
Dividends on Titan preferred shares ( <i>Note</i> )	<u>–</u>	<u>14,607</u>
(Loss)/earnings for the purpose of diluted (loss)/earnings per Share from continuing operations	<u><b>(31,985)</b></u>	<u>3,960,444</u>

*Note:*

As the Company failed to redeem the Titan preferred shares, the convertible right was deemed to continue for the purpose of calculating diluted (loss)/earnings per Share. No adjustment have been made to the basic loss per Share amounts presented for the year ended 31 December 2015 as the Titan preferred shares outstanding had an anti-dilutive effect on the basic loss per Share amounts presented.

The denominators used are the same as those detailed above for both basic and diluted (loss)/earnings per Share.

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

**From discontinued operation**

Basic loss per Share for the discontinued operation is HK2.68 cents per Share (2014: HK2.12 cents) and diluted loss per Share for the discontinued operation is HK2.68 cents per Share (2014: HK1.99 cents), based on the loss for the year from the discontinued operation of HK\$209,796,000 (2014: HK\$166,463,000) and the denominators detailed above for both basic and diluted (loss)/earnings per Share.

**10. INVESTMENT PROPERTY**

The Group's property interests held under operating leases for investment purpose are measured using the fair value model and are classified and accounted for as investment property. That investment property is held on a long-term basis and is situated in Mainland China.

In the prior year, a piece of land located in Fujian, subsequent to initial recognition, was stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation was recognised so as to write off the cost of land over its estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. According to the Board resolution dated 2 May 2014, the use of the land in Fujian changed from own use to investment purpose. As a result, the land has been reclassified as an investment property and the measurement method subsequent to initial recognition has been changed to fair values. Any change in fair value of the land after reclassification is included in profit or loss for the year in which they arise.

The fair value of the investment property is determined at the end of each reporting period based on its market value and by adopting direct comparison method. Direct comparison method assumes the property is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets.

The fair values of the Group's investment property as at 31 December 2015 and 2014 have been arrived at on the basis of a valuation carried out on the respective dates by an independent valuer not connected to the Group. The investment property located in Mainland China with medium term lease categorised as Level 2 fair value measurement was determined by making reference to the comparable market transactions/asking prices as available in the relevant markets where appropriate. The fair value less costs to sell being the recoverable amount was within the Level 2 of the fair value hierarchy.

There were no transfers among Level 1, Level 2 and Level 3.

Property valuation as at 31 December 2015 was carried out by Access Partner Consultancy & Appraisals Limited, an independent qualified professional valuer, in respect of the Group's investment property in Mainland China.

The valuation report for the property as at 31 December 2015 is signed by the associate director of Access Partner Consultancy & Appraisals Limited, who is the member of The Hong Kong Institute of Surveyors. The valuation was performed in accordance with "The HKIS Valuation Standards 2012 Edition" published by The Hong Kong Institute of Surveyors.

## 11. ACCOUNTS RECEIVABLE

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

There is no aged analysis of accounts receivable as at 31 December 2015 and 2014, as the accounts receivable were fully impaired.

## 12. ACCOUNTS PAYABLE

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

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

	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Over 12 months	<u>217,731</u>	<u>217,731</u>
	<b><u>217,731</u></b>	<b><u>217,731</u></b>

## 13. OTHER PAYABLES AND ACCRUALS

	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Amounts due to deconsolidated subsidiaries	<b>388,139</b>	390,121
Amounts due to a deconsolidated jointly-controlled entity	<b>164,606</b>	174,665
Financial guarantee contracts	<b>113,155</b>	113,155
Receipt in advance	<b>23,400</b>	23,400
Provision and accrual of expenses	<b>4,677</b>	6,831
Others	<b>48,873</b>	65,928
	<b><u>742,850</u></b>	<b><u>774,100</u></b>

Included in the other payables and accruals as at 31 December 2015 was a provision related to a claim from a former director against the Company amounted to approximately HK\$1,167,000 (2014: HK\$Nil).

#### 14. 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\$400,000,000 (equivalent to approximately HK\$3,120,000,000) 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 the maturity date, 19 March 2012, the Company was unable to repay overdue principal and interest on the Senior Note Due 2012 in the amount of US\$105,870,000 (equivalent to approximately HK\$825,786,000) and US\$4,499,000 (equivalent to approximately HK\$35,092,000) respectively.

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

The Senior Notes Due 2012, guaranteed senior convertible notes (the “Convertible Notes Due 2015”) and guaranteed senior payment-in-kind notes (the “PIK Notes Due 2015”) are collectively defined as “Existing Notes”.

Pursuant to a Bermudan scheme of arrangement (the “Creditors’ Scheme”), all liabilities of the Company owed in respect of the Existing Notes will be compromised and discharged in exchange for the payment of scheme consideration in the form of, for every US\$1.00 of the amount of their claims arising under the Existing Notes:

- i) US\$0.10 in cash and US\$0.30 in new Shares to be issued by the Company; or
- ii) US\$0.20 in cash and US\$0.10 in new Shares to be issued by the Company.

On 14 August 2014, the Company and certain beneficial owners of the Existing Notes constituting the informal creditors’ committee entered into an agreement, pursuant to which those creditors agreed that their claims under the Existing Notes would be compromised under the terms of the Creditors’ Scheme. Further details in respect of the above are included in the Company’s announcement dated 1 September 2014.

#### **14. FIXED RATE GUARANTEED SENIOR NOTES (THE “SENIOR NOTES DUE 2012”) (Continued)**

On 22 October 2014, separate meetings of Existing Notes Creditors and of Non-Note Creditors (as defined in the Creditors’ Scheme) (the “Scheme Meetings”) were held to consider and approve the Creditors’ Scheme. At both Scheme Meetings, a majority in number of all creditors of the Company bound by the Creditors’ Scheme (the “Scheme Creditors”) present and voting (in person or by proxy), representing not less than three-fourths in value of the accepted claims of Scheme Creditors present and voting (either in person or by proxy), voted in favour of the Creditors’ Scheme. Accordingly, the Creditors’ Scheme was duly approved at the Scheme Meetings. Further details in respect of the above are included in the Company’s announcement dated 22 October 2014.

On 5 November 2014 (Bermuda time), the Creditors’ Scheme was sanctioned by the Bermuda Court. The Creditors’ Scheme became effective and binding on the Company and all Scheme Creditors on the same date, upon a copy of the order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Bermuda Companies Act 1981 (the “Act”). Further details in respect of the above are included in the Company’s announcement dated 6 November 2014.

Pursuant to the terms of the Creditors’ Scheme, on 12 November 2014, the Company gave notice to all Scheme Creditors that the Bar Time (as defined in the Creditors’ Scheme) shall be 5:00 p.m. (Hong Kong time) on 5 February 2015; any Scheme Creditors who failed to submit an account holder letter (for each Existing Notes Creditor) or notice of claim (for each Non-Note Creditor) prior to that time would have no entitlement to scheme consideration under the Creditors’ Scheme, yet would have their claims against the Company compromised and discharged in accordance with the terms of the Creditors’ Scheme. Further details in respect of the above are included in the Company’s announcement dated 12 November 2014.

At the hearings on 6 March 2015 (Bermuda time), 29 July 2015 (Bermuda time), 14 August 2015 (Bermuda time), 9 October 2015 (Bermuda time), 20 November 2015 (Bermuda time), 8 January 2016 (Bermuda time) and 11 March 2016 (Bermuda time), the Bermuda Court agreed to extend the long stop date for completion of the Creditors’ Scheme (as set out in the Creditors’ Scheme) to 31 July 2015, 31 August 2015, 30 September 2015, 20 November 2015, 8 January 2016, 11 March 2016 and then 1 April 2016, respectively. Further details in respect of above are included in the Company’s announcements on 9 March 2015, 30 July 2015, 17 August 2015, 8 December 2015, 18 January 2016 and 16 March 2016.

The effective interest rate on the Senior Notes Due 2012 was 0.00% per annum in 2015 (2014: 0.00%). The outstanding principal in respect of the Senior Notes Due 2012 as at 31 December 2015 was US\$105,870,000 (equivalent to approximately HK\$825,786,000) (2014: 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 2015 and 2014 was US\$5,722,000 (equivalent to approximately HK\$44,634,000) and US\$9,528,000 (equivalent to approximately HK\$74,321,000), respectively.

Except for the reversal of overprovision of interest on Senior Notes Due 2012 for prior years in 2014, the Company has not recognised any gain derived from the Creditors’ Scheme for the years ended 31 December 2015 and 2014.



## 15. 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 were due on 13 July 2015 with a single repayment at 151.621% of their principal amount, unless earlier redeemed, repurchased or purchased by the Company or converted. The Convertible Notes Due 2015 bear no interest, and are listed on the Singapore Exchange Securities Trading Limited. Holders of the Convertible Notes Due 2015 are entitled to convert 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.

On 31 December 2015, the outstanding principal of the Convertible Notes Due 2015 was US\$47,960,000 (equivalent to approximately HK\$374,088,000) (2014: US\$47,960,000 (equivalent to approximately HK\$374,088,000)).

On 6 September 2012, an event of default occurred under the Convertible Notes Due 2015 upon the winding up petition against the Company remained undismissed or unstayed for a period of 60 consecutive days as set out in note 21.

Pursuant to the Creditors’ Scheme, all liabilities of the Company owed in respect of the Existing Notes will be compromised and discharged in exchange for the payment of scheme consideration in the form of, for every US\$1.00 of the amount of their claims arising under the Existing Notes:

- i) US\$0.10 in cash and US\$0.30 in new Shares to be issued by the Company; or
- ii) US\$0.20 in cash and US\$0.10 in new Shares to be issued by the Company.

On 14 August 2014, the Company and certain beneficial owners of the Existing Notes constituting the informal creditors’ committee entered into an agreement, pursuant to which those creditors agreed that their claims under the Existing Notes would be compromised under the terms of the Creditors’ Scheme. Further details in respect of the above are included in the Company’s announcement dated 1 September 2014.

On 22 October 2014, the Scheme Meetings were held to consider and approve the Creditors’ Scheme. At both Scheme Meetings, a majority in number of the Scheme Creditors present and voting (in person or by proxy), representing not less than three-fourths in value of the accepted claims of Scheme Creditors present and voting (either in person or by proxy), voted in favour of the Creditors’ Scheme. Accordingly, the Creditors’ Scheme was duly approved at the Scheme Meetings. Further details in respect of the above are included in the Company’s announcement dated 22 October 2014.

**15. GUARANTEED SENIOR CONVERTIBLE NOTES (THE “CONVERTIBLE NOTES DUE 2015”)  
(Continued)**

On 5 November 2014 (Bermuda time), the Creditors’ Scheme was sanctioned by the Bermuda Court. The Creditors’ Scheme became effective and binding on the Company and all Scheme Creditors on the same date, upon a copy of the order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Act. Further details in respect of the above are included in the Company’s announcement dated 6 November 2014.

Pursuant to the terms of the Creditors’ Scheme, on 12 November 2014, the Company gave notice to all Scheme Creditors that the Bar Time (as defined in the Creditors’ Scheme) shall be 5:00 p.m. (Hong Kong time) on 5 February 2015; any Scheme Creditors who failed to submit an account holder letter (for each Existing Notes Creditor) or notice of claim (for each Non-Note Creditor) prior to that time would have no entitlement to scheme consideration under the Creditors’ Scheme, yet would have their claims against the Company compromised and discharged in accordance with the terms of the Creditors’ Scheme. Further details in respect of the above are included in the Company’s announcement dated 12 November 2014.

At the hearings on 6 March 2015 (Bermuda time), 29 July 2015 (Bermuda time), 14 August 2015 (Bermuda time), 9 October 2015 (Bermuda time), 20 November 2015 (Bermuda time), 8 January 2016 (Bermuda time) and 11 March 2016 (Bermuda time), the Bermuda Court agreed to extend the long stop date for completion of the Creditors’ Scheme (as set out in the Creditors’ Scheme) to 31 July 2015, 31 August 2015, 30 September 2015, 20 November 2015, 8 January 2016, 11 March 2016 and then 1 April 2016, respectively. Further details in respect of above are included in the Company’s announcements on 9 March 2015, 30 July 2015, 17 August 2015, 8 December 2015, 18 January 2016 and 16 March 2016.

During the years ended 31 December 2015 and 2014, none of the Convertible Notes Due 2015 were converted into ordinary shares.

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 0.00% per annum in 2015 (2014: 0.00%).

Except for the reversal of overprovision of interest on Convertible Notes Due 2015 for prior years in 2014, the Company has not recognised any gain derived from the Creditors’ Scheme for the years ended 31 December 2015 and 2014.

**16. 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 were 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 8.50% per annum payable semi-annually in arrears commencing on 13 January 2011 either by cash or in the form of additional PIK Notes Due 2015, and are listed on the Singapore Exchange Securities Trading Limited.

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

**16. GUARANTEED SENIOR PAYMENT-IN-KIND NOTES (THE “PIK NOTES DUE 2015”)  
(Continued)**

On 6 September 2012, an event of default under the terms of the PIK Notes Due 2015 occurred upon the winding up petition against the Company remained undismissed or unstayed for a period of 60 consecutive days as set out in note 21.

Pursuant to the Creditors’ Scheme, all liabilities of the Company owed in respect of the Existing Notes will be compromised and discharged in exchange for the payment of scheme consideration in the form of, for every US\$1.00 of the amount of their claims arising under the Existing Notes:

- i) US\$0.10 in cash and US\$0.30 in new Shares to be issued by the Company; or
- ii) US\$0.20 in cash and US\$0.10 in new Shares to be issued by the Company.

On 14 August 2014, the Company and certain beneficial owners of the Existing Notes constituting the informal creditors’ committee entered into an agreement, pursuant to which those creditors agreed that their claims under the Existing Notes would be compromised under the Creditors’ Scheme. Further details in respect of the above are included in the Company’s announcement dated 1 September 2014.

On 22 October 2014, the Scheme Meetings were held to consider and approve the Creditors’ Scheme. At both Scheme Meetings, a majority in number of the Scheme Creditors present and voting (in person or by proxy), representing not less than three-fourths in value of the accepted claims of Scheme Creditors present and voting (either in person or by proxy), voted in favour of the Creditors’ Scheme. Accordingly, the Creditors’ Scheme was duly approved at the Scheme Meetings. Further details in respect of the above are included in the Company’s announcement dated 22 October 2014.

On 5 November 2014 (Bermuda time), the Creditors’ Scheme was sanctioned by the Bermuda Court. The Creditors’ Scheme became effective and binding on the Company and all Scheme Creditors on the same date, upon a copy of the order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Act. Further details in respect of the above are included in the Company’s announcement dated 6 November 2014.

Pursuant to the terms of the Creditors’ Scheme, on 12 November 2014, the Company gave notice to all Scheme Creditors that the Bar Time (as defined in the Creditors’ Scheme) shall be 5:00 p.m. (Hong Kong time) on 5 February 2015; any Scheme Creditors who failed to submit an account holder letter (for each Existing Notes Creditor) or notice of claim (for each Non-Note Creditor) prior to that time would have no entitlement to scheme consideration under the Creditors’ Scheme, yet would have their claims against the Company compromised and discharged in accordance with the terms of the Creditors’ Scheme. Further details in respect of the above are included in the Company’s announcement dated 12 November 2014.

At the hearings on 6 March 2015 (Bermuda time), 29 July 2015 (Bermuda time), 14 August 2015 (Bermuda time), 9 October 2015 (Bermuda time), 20 November 2015 (Bermuda time), 8 January 2016 (Bermuda time) and 11 March 2016 (Bermuda time), the Bermuda Court agreed to extend the long stop date for completion of the Creditors’ Scheme (as set out in the Creditors’ Scheme) to 31 July 2015, 31 August 2015, 30 September 2015, 20 November 2015, 8 January 2016, 11 March 2016 and then 1 April 2016, respectively. Further details in respect of above are included in the Company’s announcements on 9 March 2015, 30 July 2015, 17 August 2015, 8 December 2015, 18 January 2016 and 16 March 2016.

**16. GUARANTEED SENIOR PAYMENT-IN-KIND NOTES (THE “PIK NOTES DUE 2015”)  
(Continued)**

The PIK Notes Due 2015 are carried at amortised cost with an effective interest rate of 0.00% per annum in 2015 (2014: 0.00%). At 31 December 2015, the outstanding principal of the PIK Notes Due 2015 was US\$10,912,751 (equivalent to approximately HK\$85,119,458) (2014: US\$10,912,751 (equivalent to approximately HK\$85,119,458)).

Except for the reversal of overprovision of interest on PIK Notes Due 2015 for prior years in 2014, the Company has not recognised any gain derived from the Creditors’ Scheme for the years ended 31 December 2015 and 2014.

**17. CONVERTIBLE PREFERRED SHARES**

In 2007, the Company issued 555,000,000 Titan preferred shares at the stated value of HK\$0.56 per share. The fair values of the liability portion of the Titan preferred shares was estimated at the issuance date.

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\$310,800,000) together with any accrued and unpaid dividends.

On 10 October 2013, SPHL entered into certain arrangements, including the execution of an instrument of transfer, a declaration of trust and an irrevocable power of attorney by SPHL in favour of Docile Bright Investments Limited (“DBIL”), a wholly owned subsidiary of GZE whereby DBIL became entitled to the benefit of all interests arising under or in connection with the Titan preferred shares.

The Company and DBIL (as the lawful attorney of SPHL) subsequently entered into a deed dated 22 August 2014 (as supplemented and amended on 27 February 2015, 28 May 2015, 30 July 2015 and 16 October 2015) (the “Listco Preferred Shares Modification Deed”) in relation to, among others, the extension of the redemption period of the Titan Preferred Shares and the restriction of the conversion of the Titan Preferred Shares. The Listco Preferred Shares Modification Deed will be conditional upon the fulfillment of certain conditions.

As disclosed in the Company’s announcements dated 28 May 2015, 7 August 2015 and 5 November 2015, on 28 May 2015, 30 July 2015 and 16 October 2015, the Company and DBIL entered into supplemental agreements, pursuant to which the parties agreed to extend the long stop date for the satisfaction of the conditions under the Listco Preferred Shares Modification Deed to 31 July 2015, 31 August 2015 and 30 April 2016 respectively.

Further details in respect of the above was included in the announcement on 5 November 2015. Further announcement(s) will be made by the Company as and when appropriate.

## 18. NOTES PAYABLE (THE “K-LINE NOTES DUE 2013”)

On 5 August 2008, the Group signed an agreement with Kawasaki Kisen Kaisha, Ltd. (“K-Line”) for K-Line to purchase notes for US\$25,000,000 (equivalent to approximately HK\$195,000,000) with an interest rate of 1% per annum. Prior to 31 March 2013, at the sole option of the Company, the notes were exchangeable for up to 5% of the issued share capital of one of its subsidiaries, Titan TQSL, which holds Titan Quanzhou Shipyard in Mainland China.

At maturity, the notes are required to be repaid in full in cash equal to the greater of (i) 110% of the principal amount plus all accrued but unpaid interest; and (ii) the fair market value of 5.5% of the issued share capital of Titan TQSL on a fully diluted basis (the “Applicable Redemption Amount”). The Group had the right to redeem the notes in full prior to maturity date at the Applicable Redemption Amount, while K-Line had a right of early redemption at the Applicable Redemption Amount in the event of a change of control.

The K-Line Notes Due 2013 comprised a financial liability at amortised cost and an embedded derivative. As at 31 December 2015, the fair value of the embedded derivatives asset was HK\$Nil (2014: HK\$Nil).

On 31 March 2013, the Company did not redeem the K-Line Notes Due 2013 in full at cash at the Applicable Redemption Amount.

On 17 April 2014, K-Line, Titan Shipyard Holdings Limited and the Company entered into a support agreement, pursuant to which K-Line agreed to support the Restructuring and the Creditors’ Scheme and agreed to effect the compromise of its claims in respect of the K-Line Notes Due 2013 either within the Creditors’ Scheme or pursuant to a separate settlement agreement conditional upon the Creditors’ Scheme becoming effective. On 8 October 2014, the same parties entered into a settlement agreement whereby K-Line agreed to accept a payment equivalent to US\$0.1 in cash in respect of every US\$1.00 of the principal outstanding under the K-Line Notes Due 2013 and interest as at 9 July 2012.

Except for the reversal of overprovision of interest on K-Line Notes Due 2013 for prior years in 2014, the Company has not recognised any gain derived from the Creditors’ Scheme for the years ended 31 December 2015 and 2014.

## 19. SHARE CAPITAL

### Shares

	2015		2014	
	Number of shares	Nominal value of shares <i>HK\$'000</i>	Number of shares	Nominal value of shares <i>HK\$'000</i>
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each at 31 December ( <i>Note a</i> )	<u>80,000,000,000</u>	<u>800,000</u>	<u>14,445,000,000</u>	<u>144,450</u>
Convertible preferred shares of HK\$0.01 each at 31 December	<u>555,000,000</u>	<u>5,550</u>	<u>555,000,000</u>	<u>5,550</u>
<b>Issued and fully paid:</b>				
Ordinary shares of HK\$0.01 each at 1 January and 31 December	<u>7,820,554,682</u>	<u>78,206</u>	<u>7,820,554,682</u>	<u>78,206</u>
Convertible preferred shares of HK\$0.01 each at 1 January and 31 December	<u>555,000,000</u>	<u>5,550</u>	<u>555,000,000</u>	<u>5,550</u>

#### Notes:

- By an ordinary resolution passed at the special general meeting held on 22 June 2015, the Company's authorised ordinary share capital was increased to HK\$800,000,000 by the creation of an additional 65,555,000,000 ordinary shares of HK\$0.01 each, ranking pari passu with the existing Shares in all respects.
- During the years ended 31 December 2015 and 2014, none of the Convertible Notes Due 2015 were converted into ordinary shares.
- All ordinary shares rank pari passu in all respects.

## 20. GUARANTEES

As at 31 December 2015, guarantees with aggregated amounts of HK\$321,996,000 (2014: HK\$321,996,000) 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 deconsolidated subsidiary of the Group which was put into liquidation in 2014 and (iii) the K-Line Notes Due 2013.

As at 31 December 2015, an amount of HK\$321,996,000 (2014: HK\$321,996,000) has been recognised in the Company's statement of financial position.

As at 31 December 2015, guarantees in the aggregate amount of HK\$113,155,000 (2014: HK\$113,155,000) had been provided to a deconsolidated subsidiary to ship owners for the charter hire expenses. They had been utilised and recognised as liabilities in the consolidated statement of financial position.

Other than those as disclosed above, the Group and the Company had no other material guarantees outstanding as at 31 December 2015 and 2014.

## 21. CONTINGENT LIABILITIES

### Material Arbitrations

#### *Arbitrations between KTL Mayfair Inc. ("Mayfair") and the Company and the Arbitrations between Mayfair and 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.

On 5 May 2014, the Company announced that the Company and TSL entered into a settlement agreement (the "Settlement Agreement") with Camden, Edinburgh Navigation S.A. ("Edinburgh") and Mayfair (collectively, the "Creditors") on 2 May 2014, pursuant to which the parties have agreed:

- a) on the amounts of the claims by Camden, Edinburgh and Mayfair (collectively, the "Creditor Debt") to be recognised as unsecured claims (the "Agreed Claim Amounts") in the Restructuring by way of the Creditors' Scheme as announced by the Company on 25 November 2013;
- b) that subject to and upon receipt by the Creditors of the full cash payment under the Creditors' Scheme of US\$0.10 for every US\$1.00 of the Agreed Claim Amounts (the "Settlement Payment"), the parties will be released from all liabilities arising out of or in connection with the Creditor Debt, the Creditor Debt Documents and the subject matter thereof and any previous arrangement between the Company, TSL and the Creditors in relation to the Arbitration Proceedings;

## 21. CONTINGENT LIABILITIES (Continued)

### Material Arbitrations (Continued)

#### *Arbitrations between KTL Mayfair Inc. (“Mayfair”) and the Company and the Arbitrations between Mayfair and TSL (Continued)*

- c) that promptly and in any event within three business days of the date of the Settlement Agreement, the parties will take all steps reasonably required to effect a stay of the Arbitration Proceedings; and
- d) that promptly and in any event within three business days of the date of the Settlement Payment has been made, the parties will take all steps to inform the arbitral tribunal that the Arbitration Proceedings have been settled and/or terminated.

Further, each of the Creditors has agreed under the Settlement Agreement that:

- i) during the Support Period, it will take any actions that are reasonably required to facilitate the Restructuring, including taking all reasonable steps necessary to vote in favour of the Creditors’ Scheme;
- ii) until expiry of the Support Period or such other period as agreed between the parties, it will not oppose any application by the Company for any adjournment of the petition for the winding up of the Company pending before the Bermuda Court; and
- iii) subject to the terms of the Settlement Agreement, it will not, during the Support Period, commence any legal or Arbitration Proceedings or insolvency proceedings against the Company or any of its subsidiaries in relation to the Creditor Debt Documents.

“Support Period”, under the Settlement Agreement means the period between the date of the Settlement Agreement and the date upon which the Settlement Agreement terminates, being the earlier of:

- 1) 31 December 2014 (or such later date as may be agreed between the parties);
- 2) the date on which a final non appealable order of a governmental body of competent jurisdiction first comes into effect prohibiting the implementation and consummation of the Restructuring;
- 3) the date on which an order is made in any jurisdiction for the winding up of the Company;
- 4) the Company’s failure, within 5 business days of receipt of a notice from any of the Creditors notifying the Company its intention to treat the Settlement Agreement as having terminated, to withdraw a condition, term or modification of the Restructuring proposed by the Company to the Bermuda Court or the Company’s unsecured creditors, the addition of which condition or term to the Restructuring or which modification of the Restructuring would affect certain rights of the Company’s unsecured creditors under the Creditors’ Scheme as set out in the Settlement Agreement; and
- 5) the date on which the scheme document is deposited with the Bermuda Registrar of Companies following sanction of the Creditors’ Scheme by the Bermuda Court and approval by qualifying majorities of creditors.



## 21. CONTINGENT LIABILITIES (Continued)

### Material Arbitrations (Continued)

#### ***Arbitrations between KTL Mayfair Inc. (“Mayfair”) and the Company and the Arbitrations between Mayfair and TSL (Continued)***

The Scheme Meetings were held on 22 October 2014 as scheduled to consider and, if thought fit, approve the Creditors’ Scheme. Mayfair present and voting by proxy has voted in favour of the Creditors’ Scheme. Accordingly the Creditors’ Scheme was duly approved at the Scheme Meetings. Further details in respect of the above are included in the Company’s announcement dated 22 October 2014.

The Creditors’ Scheme was sanctioned by the Bermuda Court on 5 November 2014 and became effective and binding on all Scheme Creditors (as defined in the Creditors’ Scheme) upon a copy of the Order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Act on 5 November 2014. Further details in respect of the above are included in the Company’s announcement dated 6 November 2014.

At the hearing held on 11 March 2016 (Bermuda time), the Bermuda Court ordered to extend the long-stop date of the Creditors’ Scheme of the Company to 1 April 2016 (Bermuda time). Further details in respect of the above are included in the Company’s announcement dated 16 March 2016.

#### ***Arbitration between the Company and 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.

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.

On 5 May 2014, the Company announced that the Company and TSL entered into the Settlement Agreement with the Creditors on 2 May 2014, pursuant to which the parties have agreed:

- a) on the Agreed Claim Amounts in the Restructuring by way of the Creditors’ Scheme as announced by the Company on 25 November 2013;

## 21. CONTINGENT LIABILITIES (Continued)

### Material Arbitrations (Continued)

#### *Arbitration between the Company and Edinburgh; Arbitration between the Company and Camden; Arbitration between Edinburgh and TSL and Arbitration between Camden and TSL (Continued)*

- b) that subject to and upon receipt by the Creditors of the full cash payment under the Creditors' Scheme of US\$0.10 for every US\$1.00 of the Settlement Payment, the parties will be released from all liabilities arising out of or in connection with the Creditor Debt, the Creditor Debt Documents and the subject matter thereof and any previous arrangement between the Company, TSL and the Creditors in relation to the Arbitration Proceedings;
- c) that promptly and in any event within three business days of the date of the Settlement Agreement, the parties will take all steps reasonably required to effect a stay of the Arbitration Proceedings; and
- d) that promptly and in any event within three business days of the date of the Settlement Payment has been made, the parties will take all steps to inform the arbitral tribunal that the Arbitration Proceedings have been settled and/or terminated.

Further, each of the Creditors has agreed under the Settlement Agreement that:

- i) during the Support Period, it will take any actions that are reasonably required to facilitate the Restructuring, including taking all reasonable steps necessary to vote in favour of the Creditors' Scheme;
- ii) until expiry of the Support Period or such other period as agreed between the parties, it will not oppose any application by the Company for any adjournment of the petition for the winding up of the Company pending before the Bermuda Court; and
- iii) subject to the terms of the Settlement Agreement, it will not, during the Support Period, commence any legal or Arbitration Proceedings or insolvency proceedings against the Company or any of its subsidiaries in relation to the Creditor Debt Documents.

"Support Period", under the Settlement Agreement means the period between the date of the Settlement Agreement and the date upon which the Settlement Agreement terminates, being the earlier of:

- 1) 31 December 2014 (or such later date as may be agreed between the parties);
- 2) the date on which a final non appealable order of a governmental body of competent jurisdiction first comes into effect prohibiting the implementation and consummation of the Restructuring;
- 3) the date on which an order is made in any jurisdiction for the winding up of the Company;

## 21. CONTINGENT LIABILITIES (Continued)

### Material Arbitrations (Continued)

#### *Arbitration between the Company and Edinburgh; Arbitration between the Company and Camden; Arbitration between Edinburgh and TSL and Arbitration between Camden and TSL (Continued)*

- 4) the Company's failure, within 5 business days of receipt of a notice from any of the Creditors notifying the Company its intention to treat the Settlement Agreement as having terminated, to withdraw a condition, term or modification of the Restructuring proposed by the Company to the Bermuda Court or the Company's unsecured creditors, the addition of which condition or term to the Restructuring or which modification of the Restructuring would affect certain rights of the Company's unsecured creditors under the Creditors' Scheme as set out in the Settlement Agreement; and
- 5) the date on which the scheme document is deposited with the Bermuda Registrar of Companies following sanction of the Creditors' Scheme by the Bermuda Court and approval by qualifying majorities of creditors.

The Scheme Meetings were held on 22 October 2014 as scheduled to consider and, if thought fit, approve the Creditors' Scheme. Edinburgh and Camden present and voting by proxy has voted in favour of the Creditors' Scheme. Accordingly the Creditors' Scheme was duly approved at the Scheme Meetings. Further details in respect of the above are included in the Company's announcement dated 22 October 2014.

The Creditors' Scheme was sanctioned by the Bermuda Court on 5 November 2014 and became effective and binding on all Scheme Creditors (as defined in the Creditors' Scheme) upon a copy of the Order of the Bermuda Court being delivered to the Bermuda Registrar of Companies in accordance with section 99 of the Act on 5 November 2014. Further details in respect of the above are included in the Company's announcement dated 6 November 2014.

At the hearing held on 11 March 2016 (Bermuda time), the Bermuda Court ordered to extend the long-stop date of the Creditors' Scheme of the Company to 1 April 2016 (Bermuda time). Further details in respect of the above are included in the Company's announcement dated 16 March 2016.

### **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\$310,800,000) 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, among other things, to wind up and to appoint a provisional liquidator against the Company. Further details in respect of the above are included in the Company's announcement dated 12 July 2012. The 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 Convertible Notes Due 2015 and the PIK Notes Due 2015.

## 21. CONTINGENT LIABILITIES (Continued)

### Bermuda Proceedings (Continued)

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

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

Camden claimed that TSL, a subsidiary of the Company, failed to pay certain hiring charges to Camden pursuant to a bareboat charter party contract and that the Company was liable to Camden for such hiring charges plus interest thereon in the sum of approximately 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 SPHL Petition pending arbitration between the Company and Camden or (b) strike out the SPHL 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 SPHL Petition 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.

## 21. CONTINGENT LIABILITIES (Continued)

### Bermuda Proceedings (Continued)

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”).

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 Act) 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 powers as set out in the Company’s announcement dated 22 October 2013.

## 21. CONTINGENT LIABILITIES (Continued)

### Bermuda Proceedings (Continued)

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.

On 14 February 2014, the order made by the Bermuda Court on 18 October 2013 (Bermuda time) in relation to the appointment of the JPLs of the Company was varied as follows:

- i) the JPLs would have the following powers (among others):
  - 1) to consult with the Company in respect of, and review, on an ongoing basis, all issues relating to feasibility of the restructuring proposal of the Company or any variation thereof, including with respect to the necessary steps which need to be taken, and conditions to be met, in order for such restructuring proposal to be successfully implemented;
  - 2) to consider the terms of any scheme of arrangement proposed by the Company under the provisions of section 99 of the Act and, if so advised, to report to the Bermuda Court thereon at or before the hearing of the application to convene a scheme meeting. In this regard the Company shall at least seven days prior to any application being made to the Bermuda Court to convene a scheme meeting provide to the JPLs a final draft of the Company’s application to convene a scheme meeting;
  - 3) to review the financial position of the Company and in particular to assess the feasibility of any restructuring proposal of the Company;

## 21. CONTINGENT LIABILITIES (Continued)

### Bermuda Proceedings (Continued)

- i) (Continued)
  - 4) to monitor the continuation of the business of the Company by the existing Board;
  - 5) to monitor, consult with and otherwise liaise with the creditors and shareholders of the Company in determining whether any restructuring proposal will be successfully implemented; and
  - 6) to see, review and copy books, papers, writings, documents and records in the possession or control of the Company situate in Bermuda or in any other jurisdiction, solely insofar as reasonably necessary to permit the JPLs to exercise and discharge their powers and functions;
- ii) save as specifically set out in the order, the JPLs will have no general or additional powers or duties with respect to the property or records of the Company, and the Board will continue to manage the Company's affairs in all respects and exercise the powers conferred upon it by the Company's Memorandum of Association and Bye-laws, provided always that, should the JPLs consider at any time that the Board is not acting in the best interests of the Company and its creditors, the JPLs shall have the power to report the same to the Bermuda Court and seek such directions from the Bermuda Court as the JPLs are advised are appropriate;
- iii) the JPLs shall be entitled to receive advance materials, receive advance notice of, and, at the expense of the Company, attend all Board meetings and such meetings of management as the JPLs request;
- iv) the Company shall at all times comply with the Funding Terms referred to the letter, dated 13 February 2014, from the JPLs to the Company; and
- v) the Company shall procure that any necessary instructions are given to the liquidator of TGIL (the "Liquidator") to ensure that any dividends payable by the Liquidator after the date of the order be paid into an account to be nominated by the JPLs to be held in such account for the benefit of creditors until otherwise directed by the Bermuda Court.

Further details in respect of the above are included in the Company's announcement dated 18 February 2014.

On 28 February 2014 (Bermuda time), at which the Bermuda Court ordered a further adjournment of the Camden Petition to 7 March 2014 (Bermuda time) to allow GZE to consider if it would be willing to fund the costs of the Company's debt restructuring on an unsecured basis, and if GZE was not willing to do so, the Company would be wound up. Further details in respect of the above are included in the Company's announcement dated 4 March 2014 and 6 March 2014 respectively.

## 21. CONTINGENT LIABILITIES (Continued)

### Bermuda Proceedings (Continued)

At the hearing held on 7 March 2014 (Bermuda time), a draft unsecured loan agreement (the “Loan Agreement”) to be entered into between the Company and Fame Dragon, in relation to the provision of an unsecured loan by Fame Dragon to the Company was presented to the Bermuda Court. The Bermuda Court ordered that:

- a) the Company be permitted to enter into the Loan Agreement with Fame Dragon;
- b) the Camden Petition be adjourned to 17 April 2014; and
- c) the Company and the JPLs of the Company be awarded 90% of the costs of the hearing as against Camden in any event of the cause.

Further details in respect of the above are included in the Company’s announcement dated 11 March 2014.

At the hearing held on 17 April 2014 (Bermuda time), the Bermuda Court ordered a further adjournment of the Camden Petition to 16 May 2014 (Bermuda time). Further details are included in the Company’s announcement dated 22 April 2014.

At the hearing held on 16 May 2014 (Bermuda time), the Bermuda Court ordered a further adjournment of the Camden Petition to 11 July 2014 (Bermuda time). Further details in respect of the above are included in the Company’s announcement dated 19 May 2014.

At the hearing held on 4 June 2014, SPHL filed a notice of withdrawal of the appeal dated 29 May 2014.

At the hearing held on 11 July 2014 (Bermuda time), the Bermuda Court ordered a further adjournment of the Camden Petition to 8 August 2014 (Bermuda time). The Bermuda Court further ordered that the costs and fees of the JPLs and their advisors were to be paid out of the liquidation account. Further details in respect of the above are included in the Company’s announcement dated 15 July 2014.

At the hearings held on 8 August 2014 (Bermuda time), 3 October 2014 (Bermuda time), 31 October 2014 (Bermuda time), 21 November 2014 (Bermuda time), 16 January 2015 (Bermuda time), 13 March 2015 (Bermuda time), 27 March 2015 (Bermuda time), 10 April 2015 (Bermuda time), 8 May 2015 (Bermuda time), 29 May 2015 (Bermuda time), 3 July 2015 (Bermuda time), 29 July 2015 (Bermuda time), 14 August 2015 (Bermuda time), 28 August 2015 (Bermuda time), 4 September 2015 (Bermuda time), 8 September 2015 (Bermuda time), 9 October 2015 (Bermuda time), 20 November 2015 (Bermuda time), 8 January 2016 (Bermuda time) and 11 March 2016 (Bermuda time), the Bermuda Court ordered a further adjournment of the Camden Petition to 3 October 2014 (Bermuda time), 31 October 2014 (Bermuda time), 21 November 2014 (Bermuda time), 16 January 2015 (Bermuda time), 13 March 2015 (Bermuda time), 27 March 2015 (Bermuda time), 10 April 2015 (Bermuda time), 8 May 2015 (Bermuda time), 29 May 2015 (Bermuda time), 3 July 2015 (Bermuda time), 14 August 2015 (Bermuda time), 28 August 2015 (Bermuda time), 4 September 2015 (Bermuda time), 8 September 2015 (Bermuda time), 9 October 2015 (Bermuda time), 20 November 2015 (Bermuda time), 8 January 2016 (Bermuda time), 11 March 2016 (Bermuda time) and 1 April 2016 (Bermuda time), respectively. Further details in respect of the above are included in the Company’s announcement dated 11 August 2014, 6 October 2014, 3 November 2014, 25 November 2014, 19 January 2015, 16 March 2015, 30 March 2015, 13 April 2015, 11 May 2015, 2 June 2015, 30 July 2015, 17 August 2015, 31 August 2015, 7 September 2015, 9 September 2015, 12 October 2015, 25 November 2015, 18 January 2016 and 16 March 2016 respectively.



## **21. CONTINGENT LIABILITIES (Continued)**

### **BVI Proceedings**

On 18 June 2012, the Company received from SSL two notices to exercise its redemption rights under 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 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 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), 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 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 BVI Court of Appeal was stayed until 20 March 2013 (BVI time) by consent of TOSIL as appellant and SSL and TGIL as respondents. It is intended that the Appeal will be withdrawn as part of the settlement of all litigation relating to the Group pursuant to the settlement deed.

The liquidators of TGIL have made a numbers of distributions to creditors of TGIL, but continue to hold certain funds pending the resolution of certain tax issues.

### **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 High 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, among other remedies, specific performance of the IRA, injunctive relief, declaratory relief, an indemnity, damages, interest and costs (the “Hong Kong Proceedings”). 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 High Court, among other things, stayed the proceedings for a period of 90 days which was then subsequently extended until 15 March 2013.

## **21. CONTINGENT LIABILITIES (Continued)**

### **Hong Kong Proceedings (Continued)**

On 15 November 2013, SSL was ordered by the Hong Kong High Court to provide security in various sums for the Defendants' costs of the proceedings. SSL was ordered by the Hong Kong High Court to provide security for the defendants' costs of the proceedings. SSL failed to provide such security and the proceedings remained stayed.

The Company has obtained the permission from the Bermuda Court to enter into a deed of settlement with SSL and other relevant parties relating to the Hong Kong proceedings on 12 December 2014. Further details in respect of the above are included in the Company announcement dated 2 January 2015.

The Hong Kong High Court fixed a second case management conference for hearing on 21 November 2014 and further adjourned to 13 March 2015, 7 July 2015 and 17 November 2015. On 6 January 2016, the Hong Kong High Court ordered (by consent) that (i) the second case management conference due to be heard on 23 February 2016 be vacated and adjourned to 12 April 2016; and (ii) attempting the finalisation of the global settlement among the parties. Further details in respect of the above are included in the Company's announcement dated 25 November 2014, 30 March 2015, 24 June 2015, 4 December 2015 and 11 January 2016 respectively.

### **Other Proceedings**

Details of other proceedings are disclosed in the note 4 and note 13 to the consolidated financial statements.

## **22. DIVIDENDS**

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2015 (2014: Nil).

## **23. COMPARATIVE AMOUNTS**

Certain comparative amounts have been reclassified to conform with the current year presentation. In the opinion of the Directors, such reclassifications provide a more appropriate presentation on the consolidated financial statements.

## **24. EVENTS AFTER THE REPORTING PERIOD**

### **Listing status**

As disclosed in the announcement of the Company dated 26 November 2013, the Listing Division of the Stock Exchange issued a letter on 22 November 2013 to inform the Company that they have decided to place the Company in the second stage of delisting under Practice Note 17 to the Listing Rules and required the Company to submit a viable resumption proposal at least 10 business days before the second stage of delisting expires (i.e. 5 May 2014).

The Company has submitted the resumption proposal on 5 May 2014 (and the updated versions of the resumption proposal in response to the comments from the Stock Exchange have been submitted on 10 June 2014, 22 August 2014, 16 September 2014, 10 October 2014 and 25 November 2014 respectively). As disclosed in the Company's announcement dated 2 December 2014, the Board announced that as informed by a letter dated 1 December 2014, the Stock Exchange has decided to allow the Company to proceed with the resumption proposal subject to satisfying the conditions by 31 May 2015.

## 24. EVENTS AFTER THE REPORTING PERIOD (Continued)

### Listing status (Continued)

Since the completion of the subscription agreement signed with Paliburg Company Limited (the “Paliburg Subscription Agreement”) and Victory Stand Limited (the “Victory Stand Subscription Agreement”) did not take place by 4 September 2015, the open offer proposed to be put forward by the Company on the basis of one offer share for every two existing shares held by the qualifying shareholders on the record date with issuance of the Warrants on the same terms as those being offered to the subscribers for no additional consideration to the qualifying shareholders who take up the offer shares on the basis of one warrant for one of offer share taken up (the “First Open Offer”) would not proceed and the agreements entered into pursuant to the Restructuring would not become unconditional and had therefore been lapsed and the whitewash waiver granted by the Securities and Futures Commission of Hong Kong and approved at the special general meeting of the Company held on 22 June 2015 was invalidated accordingly.

As a result of the lapse of the First Open Offer and the agreements entered into pursuant to the Restructuring, and that the second stage of delisting had expired and the resumption proposal submitted to the Stock Exchange lapsed, on 18 September 2015, the Listing Division of the Stock Exchange issued a letter to the Company informing the Company that they have decided to place the Company in the third stage of delisting under Practice Note 17 to the Listing Rules. The third stage of delisting will expire on 1 April 2016 and at the end of the third stage of delisting, if the Company does not provide a resumption proposal in accordance with the requirement of the Stock Exchange, the Stock Exchange will proceed with cancellation of the Company’s listing.

According to the letter, the Company is required to submit a viable resumption proposal to the Stock Exchange at least 10 business days before the third stage of delisting expires to addressing to 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 (if any); and
- iii) the Company must have the winding up petition against the Company withdrawn or dismissed and the provisional liquidators discharged.

The Company has submitted the Resumption Proposal on 16 October 2015 (Bermuda time). In response to the comments from the Stock Exchange in respect of the Resumption Proposal, the Company has submitted to the Stock Exchange updated versions of the Resumption Proposal on 17 November 2015, 31 December 2015 and 25 January 2016. In support of the Resumption Proposal, the Company has also entered into certain agreements and certain supplemental agreements in relation to its business development and debt restructuring. Further announcement(s) will be made by the Company as and when appropriate.

## **24. EVENTS AFTER THE REPORTING PERIOD (Continued)**

### **Listing status (Continued)**

On 14 March 2016, the Company received a letter from the Stock Exchange to allow the Company to proceed with the Resumption Proposal subject to satisfying of certain conditions by 15 July 2016, including among others:

- i) completion of all transactions contemplated under the Resumption Proposal; and
- ii) the Company must have the winding up petition withdrawn or dismissed and the JPLs discharged.

The Stock Exchange may raise further comments or impose additional conditions on the Resumption Proposal.

### **Creditors' Scheme**

By an order dated 15 September 2014, the Bermuda Court directed the Scheme Meetings of the Scheme Creditors which were then held on 22 October 2014. The Bermuda Court has ordered the Scheme Meetings with the Existing Notes Creditors and Non-Note Creditors respectively. During the Scheme Meetings, a majority in number of the Scheme Creditors present and voting, representing not less than three-fourths in value of the accepted claims of the Scheme Creditors present and voting, have voted in favour to the Creditors' Scheme. Accordingly, the Creditors' Scheme was duly approved at the Scheme Meetings.

By an order dated 5 November 2014 (Bermuda time), the Bermuda Court sanctioned the proposed Creditors' Scheme between the Company and its Scheme Creditors. The Creditors' Scheme became effective and binding on the Company and all of the Scheme Creditors on 5 November 2014 (Bermuda time), upon the delivery of a copy of the order to the Bermuda Registrar of Companies.

Pursuant to the terms of the Creditors' Scheme, the Bar Time was set on 5 February 2015. In order to be entitled to receive consideration under the Creditors' Scheme in respect of any accepted liabilities:–

- i) Each Existing Notes Creditor must ensure that a duly completed account holder letter is prepared by the relevant account holder and lodged with the information agent prior to the Bar Time; and
- ii) Each Non-Note Creditor must ensure that a duly completed notice of claim is submitted to the information agent prior to the Bar Time.

The Scheme Creditors who fail to submit an account holder letter or notice of claim prior to the Bar Time shall have no entitlement to Scheme Consideration under the Scheme.

At the hearing held on 11 March 2016 (Bermuda time), the Bermuda Court ordered to extend the long-stop date to 1 April 2016. Details of the above were set in the Company's announcement dated 22 September 2014, 22 October 2014, 6 November 2014, 12 November 2014, 18 February 2015, 3 March 2015, 9 March 2015, 16 March 2015, 30 March 2015, 13 April 2015, 11 May 2015, 2 June 2015, 30 July 2015, 17 August 2015, 31 August 2015, 7 September 2015, 9 September 2015, 12 October 2015, 25 November 2015, 18 January 2016 and 16 March 2016 respectively.

## AUDITORS' OPINION

The auditors' opinion on the Group's financial statements for the year ended 31 December 2015 as set out below:

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

**1) *Scope limitation – Property, plant and equipment and prepaid land/seabed lease payments of a disposal group classified as held for sale***

As disclosed in note 6 to the financial statements and included in the consolidated statement of financial position as at 31 December 2015 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 Land/Seabed Lease Payments”) with net carrying amounts of approximately HK\$2,299,402,000 and HK\$293,982,000 respectively and related deferred tax liabilities of approximately HK\$57,974,000. The directors are of the opinion that the carrying amounts of the Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments included in the consolidated statement of financial position were lower than their fair values less cost to sell amounts and therefore, no impairment on the Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments was made during the year ended 31 December 2015. Fair values less costs to sell were determined by the cost approach and the sales comparison approach and were used to determine the amounts of the Property, Plant and Equipment and Prepaid Land/Seabed 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 amounts of the Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments as at the end of the reporting period and therefore, as to whether the carrying amounts on the Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments as at 31 December 2015 are fairly stated. Any adjustment to the carrying amounts on the Property, Plant and Equipment and Prepaid Land/Seabed Lease Payments as at 31 December 2015 would have a consequential impact on the loss from discontinued operation for the year ended 31 December 2015, 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 2015 and consequently net loss and cash flows of the Group for the year ended 31 December 2015, and the related disclosures thereof in the consolidated financial statements.

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

As disclosed in note 6 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2015 were prepayments, deposits and other receivables in respect of Titan Quanzhou Shipyard Co., Ltd. (“Titan Quanzhou Shipyard”), which is the disposal group classified as held for sale, of approximately HK\$20,247,000 (the “Prepayments, Deposits and Other Receivables of Titan Quanzhou Shipyard”). We were unable to obtain sufficient appropriate audit evidence regarding the Prepayments, Deposits and Other Receivables of Titan Quanzhou 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 Titan Quanzhou Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to the Prepayments, Deposits and Other Receivables of Titan Quanzhou 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 Titan Quanzhou 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 Titan Quanzhou 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 2015 and consequently net loss and cash flows of the Group for the year ended 31 December 2015, and the related disclosures thereof in the consolidated financial statements.

**3) *Scope limitation – Accounts payables of a disposal group classified as held for sale***

As disclosed in note 6 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2015 were accounts payables of Titan Quanzhou Shipyard of approximately HK\$88,806,000 owed to suppliers of Titan Quanzhou Shipyard (the “Accounts Payables of Titan Quanzhou Shipyard”). We were unable to obtain sufficient appropriate audit evidence regarding the Accounts Payables of Titan Quanzhou Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Accounts Payables of Titan Quanzhou Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to Accounts Payables of Titan Quanzhou 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 Payables of Titan Quanzhou 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 2015 and consequently net loss and cash flows of the Group for the year ended 31 December 2015, and the related disclosures thereof in the consolidated financial statements.

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

As disclosed in note 6 to the financial statements and included in the consolidated statement of financial position of the Group as at 31 December 2015 were other payables and accruals of Titan Quanzhou Shipyard of approximately HK\$395,159,000 (the “Other Payables and Accruals of Titan Quanzhou Shipyard”). We were unable to obtain sufficient appropriate audit evidence regarding the Other Payables and Accruals of Titan Quanzhou Shipyard because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Other Payables and Accruals of Titan Quanzhou Shipyard; (ii) we were unable to carry out any effective confirmation procedures in relation to the Other Payables and Accruals of Titan Quanzhou 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 Titan Quanzhou 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 2015 and consequently net loss and cash flows of the Group for the year ended 31 December 2015, and the related disclosures thereof in the consolidated financial statements.

**b) *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 2015 was amounts due to a deconsolidated jointly-controlled entity of approximately HK\$164,606,000 (the “Amounts with the Deconsolidated Jointly-Controlled Entity”). We were unable to obtain sufficient appropriate audit evidence regarding the Amounts with the Deconsolidated Jointly-Controlled Entity because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Amounts with the Deconsolidated Jointly-Controlled Entity; (ii) we were unable to carry out any effective confirmation procedures in relation to the Amounts with the Deconsolidated Jointly-Controlled Entity for the purpose of our audit; and (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the amount due from the deconsolidated jointly-controlled entity were appropriate; and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Amounts with the Deconsolidated Jointly-Controlled Entity 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 2015, the Group’s net liabilities at as 31 December 2015, and consequently net loss and cash flows of the Group for the year ended 31 December 2015, and the related disclosures thereof in the consolidated financial statements.

**c) Scope limitation – Amounts due from/to deconsolidated subsidiaries**

Included in the balances of other payables and accruals in the consolidated statement of financial position as at 31 December 2015 was amounts due to deconsolidated subsidiaries of approximately HK\$388,139,000 (the “Amounts due to Deconsolidated Subsidiaries”). We were unable to obtain sufficient appropriate audit evidence regarding the Amounts due to Deconsolidated Subsidiaries because: (i) there was inadequate documentary evidence available for us to verify the identity and nature of the Amounts due to Deconsolidated Subsidiaries; (ii) we were unable to carry out any effective confirmation procedures in relation to the Amounts due to Deconsolidated Subsidiaries 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 due to Deconsolidated Subsidiaries 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 2015, the Group’s net liabilities as at 31 December 2015, and consequently net loss and cash flows of the Group for the year ended 31 December 2015 and the related disclosures thereof in the consolidated financial statements.

**d) Scope limitation – Financial guarantee contracts and commitments**

Included in the balances of other payables and accruals in the consolidated statement of financial position as at 31 December 2015 was financial guarantee liabilities of approximately HK\$113,155,000 and as disclosed in notes 41 and 40 to the consolidated financial statements were financial guarantee contracts issued and commitments committed by the Group. We were unable to obtain sufficient appropriate audit evidence regarding the financial guarantee contracts and commitments committed by the Group because (i) we were unable 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 2014 and 2015; (ii) we were unable to satisfy ourselves the measurements of the financial guarantee contracts and commitments for the years ended 31 December 2014 and 2015 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 liabilities at 31 December 2014 and 2015 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 2014 and 2015, and the related disclosures thereof in the consolidated financial statements.



**e) 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 2016 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 2016 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 2015 and consequently net loss and cash flows of the Group for the year ended 31 December 2015, and the related disclosures thereof in the consolidated financial statements.

**f) 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 2015 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 2015.

Any adjustments that might have been found necessary may have an effect on the Group's net liabilities as at 31 December 2015 and consequently net loss and cash flows of the Group for the year ended 31 December 2015, and the related disclosures thereof in the consolidated financial statements.

**g) 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 2014. In addition, the auditors' report dated 31 March 2015 in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2014 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 2014 and 2015 and its results for the years ended 31 December 2014 and 2015, 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 2015 and 2014 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.

#### **h) 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\$241,781,000 for the year ended 31 December 2015 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$3,938,700,000 and its total liabilities exceeded its total assets by approximately HK\$4,049,058,000.

As disclosed in notes 24, 28, 29, 30, 31 and 32 to the consolidated financial statements, the Group was in default on repayments of interest-bearing bank and other loans of approximately HK\$5,850,000, fixed rate guaranteed senior notes of approximately HK\$882,329,000, guaranteed senior convertible notes of approximately HK\$441,753,000, guaranteed senior payment-in-kind notes of approximately HK\$88,657,000, convertible preferred shares of approximately HK\$435,325,000 and notes payable of approximately HK\$202,896,000.

As disclosed in note 42 to the consolidated financial statements, the Group was involved in several legal proceedings. One of the legal proceedings is that KTL Camden Inc. ("Camden") has claimed that a deconsolidated subsidiary of the Company failed to pay certain hiring charges 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 pursuant to a deed of guarantee issued by the Company in favour of Camden. On 23 July 2013, the Supreme Court of Bermuda (the "Bermuda Court") allowed Camden to be substituted as the petitioner in place of Saturn Petrochemical Holdings Limited ("SPHL") and on 6 August 2013, Camden 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. The proceedings is still ongoing and further hearings before the Bermuda Court took place on 31 January 2014 (Bermuda time), 14 February 2014 (Bermuda time), 28 February 2014 (Bermuda time), 7 March 2014 (Bermuda time), 17 April 2014 (Bermuda time), 16 May 2014 (Bermuda time), 11 July 2014 (Bermuda time), 8 August 2014 (Bermuda time), 3 October 2014 (Bermuda time), 31 October 2014 (Bermuda time), 21 November 2014 (Bermuda time), 16 January 2015 (Bermuda time), 13 March 2015 (Bermuda time), 27 March 2015 (Bermuda time), 10 April 2015 (Bermuda time), 8 May 2015 (Bermuda time), 29 May 2015 (Bermuda time), 3 July 2015 (Bermuda time), 29 July 2015 (Bermuda time), 14 August 2015 (Bermuda time), 28 August 2015 (Bermuda time), 4 September 2015 (Bermuda time), 8 September 2015 (Bermuda time), 9 October 2015 (Bermuda time), 20 November 2015 (Bermuda time), 8 January 2016 (Bermuda time) and 11 March 2016 (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 2.1 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 2015 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 as at 31 December 2015 and of the Group's financial performance 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 compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **REPORT ON MATTERS UNDER THE HONG KONG COMPANIES ORDINANCE (CAP. 622)**

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the items stated under basis for disclaimer of opinion for the year ended 31 December 2015 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.

## **DIVIDENDS**

The Board of Directors does not recommend the declaration of a final dividend for the year ended 31 December 2015 (2014: Nil).

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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 Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the year ended 31 December 2015 except for the deviations set out below.

Code provision A.2.1 of the CG Code Provides that the roles of chairman and chief executive should be separate. As announced on 16 September 2015, Mr. Zhao Xu Guang resigned as Chairman of the Board and Chief Executive of the Company. The roles of Chairman and Chief Executive are separated. Mr. Fan Qinghua is the Chairman of the Board (appointed on 16 September 2015) and Mr. Tang Chao Zhang is the Chief Executive of the Company (appointed on 16 September 2015).

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the Company's code of conduct regarding director securities transactions. Having made specific enquiries of the relevant directors during the year, all the relevant directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2015.

## **REVIEW OF FINANCIAL STATEMENTS**

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

As at 31 December 2015 and up to the date of this announcement, namely Mr. Lau Fai Lawrence (*chairman*) and Ms. Xiang Siying as independent non-executive directors of the Company. Mr. Fan Qinghua as a non-executive director of the Company.

The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2015 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.

## **CONTINUED SUSPENSION IN TRADING**

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

Hong Kong, 29 March 2016

*As at the date of this announcement, the executive Directors are Mr. Tang Chao Zhang and Dr. Zhang Weibing; the non-executive Director is Mr. Fan Qinghua; and the independent non-executive Directors are Mr. Lau Fai Lawrence, Ms. Xiang Siying, Mr. Hu Hongwei and Ms. Hsu Wai Man Helen.*