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## **Titan Petrochemicals Group Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1192)**

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#### **CONDITIONAL AGREEMENT FOR NEW SHARES SUBSCRIPTION BY GUANGDONG ZHENRONG ENERGY CO., LTD**

The Company entered into the Subscription Agreement with the Subscriber, Guangdong Zhenrong Energy Co., Ltd, an independent third party of the Company, on 1 August 2012. Under the Subscription Agreement, the Subscriber agreed (subject to the fulfilment of all the conditions precedent described below) to subscribe for and the Company shall allot and issue 7,000,000,000 new Adjusted Shares (being the Subscription Shares) at a Subscription Price of HK\$0.025 per Subscription Share at completion of the Subscription. The Subscription Agreement also contains provisions relating to the PRC Storage Companies held by StorageCo (liquidators appointed) as described further below. The transactions contemplated in the Subscription Agreement if implemented successfully, will result in the Subscriber becoming the controlling shareholder of the Company after completion of the Subscription and the retention by the Company of all of StorageCo's interests in the PRC Storage Companies.

## The Subscription

The gross proceeds from the Subscription will be approximately HK\$175 million. The proceeds of the Subscription are intended to be applied towards payments to be made in respect of the Outstanding Notes as part of the Titan Debt Restructuring Proposal and as working capital for the Group. A further announcement will be made in respect of the terms of the Titan Debt Restructuring Proposal which is under discussion by the Company and the Subscriber, in consultation with the Ad-hoc Noteholders Committee.

The Subscription Shares represent approximately 895.08% of the issued ordinary share capital of the Company (upon completion of the Capital Reorganisation) and approximately 89.95% of the issued ordinary share capital of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Subscription Shares, in each case, assuming no issue of further shares by the Company whether pursuant to the exercise of rights under the Listco Convertible Notes, the Listco Preferred Shares (for which the Company has received a redemption notice from SPHL on 4 July 2012), the outstanding options granted or may be granted under the 2002 Share Option Scheme and the 2011 Share Option Scheme or otherwise. On redemption of the Listco Preferred Shares, no Listco Preferred Shares will remain outstanding. If the transaction proceeds, the Subscriber will become the controlling Shareholder of the Company upon completion of the Subscription.

On completion of the Subscription, less than 25% of the entire issued ordinary share capital will be held by the public. Accordingly, the Company will not be able to fulfil the minimum public float requirement as set out under Rule 8.08 of the Listing Rules after the issue of the Subscription Shares to the Subscriber. Under the Subscription Agreement, the Subscriber has given an undertaking to the Company to take such steps as may be necessary to satisfy the Stock Exchange to ensure that adequate public float of the Company can be maintained immediately upon completion of the Subscription.

The Subscription and issue of the Subscription Shares is subject to a number of conditions precedent which are further described below, including but not limited to (i) the granting of the listing of and permission to deal in the Subscription Shares and the Adjusted Shares by the Listing Committee of the Stock Exchange; (ii) the approval by the Shareholders of the Company of the Capital Reorganisation, the issue of the Subscription Shares and (if necessary) an increase in authorised share capital of the Company; (iii) the Executive having granted the Whitewash Waiver and the Independent Shareholders having approved the Whitewash Waiver; (iv) the Stock Exchange having unconditionally or conditionally approved the resumption proposal to be submitted by the Company and any other conditions attached to such approval having been fulfilled or waived by the Stock Exchange; (v) dismissal of the Bermuda Proceedings and such dismissal not being appealed within the relevant appeal time period of the relevant laws applicable to the Bermuda Proceedings; (vi) the Titan Debt Restructuring Proposal having been approved by the courts of Bermuda; and (vii) the Capital Reorganisation becoming effective. **As completion of the Subscription is subject to the fulfilment of a number of conditions precedent and the termination rights of the Subscriber, the Subscription may or may not proceed to completion. Shareholders and investors should exercise caution when dealing in the Shares and securities of the Company.**

### **Arrangements in relation to the PRC Storage Companies and possible issue of unlisted unsecured New Convertible Bonds by the Company**

In addition to the Subscription, the Subscriber has also agreed in the Subscription Agreement and, subject to agreement by the liquidators of StorageCo, (i) to provide not less than US\$40 million interim funding to the PRC Storage Subsidiaries for the purposes of funding the working capital requirements and debt repayment obligations of the PRC Storage Subsidiaries, the storage business of which is to be managed by the Subscriber or its nominee; and (ii) to negotiate with StorageCo or its liquidators to acquire all of StorageCo's interests in the PRC Storage Companies for a consideration not exceeding US\$145 million (or such other amount as the Subscriber and the Company may agree from time to time).

The proposed Onshore Acquisition is intended to facilitate the Company's retention of StorageCo's interests in the PRC Storage Companies and accordingly, the Subscriber has agreed (subject to the fulfilment of certain conditions including the signing of a future agreement for the Reacquisition) to sell to the Company all its interests in the PRC Storage Companies acquired under the Onshore Acquisition at the same price in consideration for the issue of the New Convertible Bonds (indicative terms of which are set out below).

### **PROPOSED CAPITAL REORGANISATION**

As a condition precedent to the completion of the Subscription, the Directors propose to put forward to the Shareholders the proposal for the Capital Reorganisation which will involve:

- (i) the Share Consolidation, whereby every ten (10) issued Shares of HK\$0.01 each in the existing share capital of the Company will be consolidated into one (1) Consolidated Share of HK\$0.10 each;
- (ii) the Capital Reduction, whereby the total number of Consolidated Shares in the issued share capital of the Company will be rounded down to the nearest whole number and the paid-up capital of each Consolidated Share will be cancelled to the extent of HK\$0.09 per Consolidated Share so as to form an Adjusted Share of HK\$0.01 each; and
- (iii) the Transfer, whereby the amount (all or part thereof) standing to the credit of the existing distributable capital reduction reserve account of the Company and the credits arising from the Capital Reduction will be applied towards cancelling the accumulated losses of the Company, with the balance (if any) to be transferred to a reserve account of the Company which may be utilised by the Directors as a distributable reserve in accordance with the bye-laws of the Company and all applicable laws.

The Capital Reorganisation is conditional upon certain conditions precedent described below. As none of the Shareholders or their associates would have any material interest in the Capital Reorganisation which is different from that of the other Shareholders, no Shareholder would be required to abstain from voting on the resolution to approve the Capital Reorganisation at the SGM.

## LISTING RULES AND TAKEOVERS CODE IMPLICATIONS

The Subscription Shares are to be issued pursuant to a special mandate to be sought from the Shareholders.

Immediately after completion of the Subscription, the Subscriber and parties acting in concert with it will be interested in an aggregate of 7,000,000,000 Adjusted Shares, representing approximately 89.95% of the issued ordinary share capital of the Company after the Capital Reorganisation as enlarged by the allotment and issue of the Subscription Shares.

Upon completion of the Subscription, less than 25% of the entire issued ordinary share capital will be held by the public. Accordingly, the Company will not be able to fulfil the minimum public float requirement as set out under Rule 8.08 of the Listing Rules upon issue of the Subscription Shares to the Subscriber. Under the Subscription Agreement, the Subscriber has given an undertaking to the Company to take such steps as may be necessary to satisfy the Stock Exchange to ensure that adequate public float of the Company can be maintained immediately upon completion of the Subscription. **If, immediately after completion of the Subscription, less than 25% of the ordinary shares of the Company are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading in the shares of the Company; or (ii) there are insufficient shares of the Company in public hands to maintain an orderly market, the Stock Exchange may consider exercising its discretion to suspend dealings in the shares of the Company.**

As the Subscriber will have acquired 30% or more voting rights in the Company pursuant to the Subscription Agreement, an obligation on the part of the Subscriber to make a general offer for all the issued securities in the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it will arise under Rule 26 of the Takeovers Code as a result of the issue of the Subscription Shares to the Subscriber, unless a waiver for such obligation is granted.

The Subscriber will make an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. The Subscriber, parties acting in concert with it and its associates and those who are involved or interested in the Subscription, the Whitewash Waiver or (if applicable) the Special Deal will abstain from voting on the resolution to approve the Subscription, the Whitewash Waiver and (if applicable) the Special Deal at the SGM.

The granting of the Whitewash Waiver by the Executive and the approval of the Whitewash Waiver by the Independent Shareholders are conditions precedent to completion of the Subscription. **Accordingly, if the Whitewash Waiver is not granted or approved by the Independent Shareholders, the Subscription will not proceed.**

If and to the extent that the Titan Debt Restructuring Proposal involves the payment of all or part of proceeds of the Subscription to holders of the Outstanding Notes who are also holders of Shares, or to SPHL as holder of Listco Preferred Shares sought to be redeemed, such payments will constitute a special deal under Note 5 to Rule 25 of the Takeovers Code and may not proceed without, amongst other things, the consent of the Executive and the approval of Independent Shareholders by way of a resolution voted by way of poll separate

from the resolution to approve the Subscription and the Whitewash Waiver. In such circumstances, the Takeovers Code requires that holders of the Outstanding Notes who are also shareholders of the Company and SPHL to abstain from voting on the resolutions to approve the Subscription, the Whitewash Waiver and the Special Deal. As at the date of this announcement, the Directors are not aware of any holder or beneficial owner of the Outstanding Notes being also a shareholder of the Company. The Company will take steps prior to the despatch of the circular of shareholders of the Company to convene the SGM to ascertain whether or not any holder (or beneficial owners) of the Outstanding Notes are also holder of Shares, and to notify them and SPHL that they must abstain from voting on the relevant resolution as their vote will not in any event be counted.

## **GENERAL**

Accordingly, the SGM will, in due course, needs to be convened for the purpose of seeking the relevant Shareholder approvals. A circular containing, among other things, (i) details of the Subscription Agreement; (ii) details of the Capital Reorganisation; (iii) details of the Whitewash Waiver and (if applicable) the Special Deal; (iv) a letter of recommendation from the Whitewash IBC to the Independent Shareholders in respect of the fairness and reasonableness of the Subscription, the Whitewash Waiver and (if applicable) the Special Deal; (v) a letter of advice from the independent financial adviser to be appointed to advise the Whitewash IBC and the Independent Shareholders in relation to the Subscription, the Whitewash Waiver and (if applicable) the Special Deal; (vi) a notice of the SGM; and (vii) other information as required under the Listing Rules and the Takeovers Code, is expected to be dispatched by the Company to the Shareholders as soon as practicable.

## **UPDATE ON THE LITIGATION / WINDING UP PROCEEDINGS**

There has been no further material developments on the litigation or winding up proceedings previously announced by the Company.

As stated in the announcement of the Company dated 20 July 2012, the BVI court has ordered (the "Order") the liquidation of StorageCo and the appointment of joint liquidators of StorageCo on 17 July 2012. On 18 July 2012 (BVI time), Titan Oil Storage Investment Limited, a wholly-owned subsidiary of the Company, has filed a notice of appeal at the Court of Appeal of the Eastern Caribbean Supreme Court against the Order and has applied for a stay of execution of the Order pending the determination of the appeal. No date has yet been set down for the hearing of the appeal or the application for stay. As the Subscriber has commenced discussions with the liquidators of StorageCo and no date for the hearing of the application for stay of execution of the Order has yet been fixed, the Company has applied to withdraw that application.

The petition by SPHL for an order, amongst other things, to wind up and to appoint a provisional liquidator against the Company remains scheduled to be heard in Bermuda on 16 August 2012 (Bermuda time).

## **CONTINUED SUSPENSION IN TRADING**

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

## **INTRODUCTION**

The Company entered into the Subscription Agreement with the Subscriber, Guangdong Zhenrong Energy Co., Ltd, an independent third party of the Company, on 1 August 2012. Under the Subscription Agreement, the Subscriber agreed (subject to the fulfilment of all the conditions precedent described below) to subscribe for and the Company shall allot and issue 7,000,000,000 new Adjusted Shares (being the Subscription Shares) at a Subscription Price of HK\$0.025 per Subscription Share at completion of the Subscription. The Subscription Agreement also contains provisions relating to the PRC Storage Companies held by StorageCo (liquidators appointed) as described further below. The transactions contemplated in the Subscription Agreement, if implemented successfully, will result in the Subscriber becoming the controlling shareholder of the Company after completion of the Subscription and the retention by the Company of all of StorageCo's interests in the PRC Storage Companies.

The Subscriber, Guangdong Zhenrong Energy Co., Ltd, is in the business of bulk commodities, energy and resources trading and is principally involved in the trading of petroleum products, non-ferrous metals, coal, chemical products among other products or services. The Subscriber is also in the business of onshore and offshore investments in petroleum refinery and warehousing and logistics terminal in relation to petroleum.

The Group is a provider of oil logistic and marine services in the Asia Pacific region. The Group operates a multi-functional ship-repair and shipbuilding yard which is one of the largest in Asia. The Group holds, through StorageCo, its interests in the strategically located onshore storage facilities in China operated by the PRC Storage Subsidiaries. The Group also holds interests in offshore storage facilities in Malaysia.

Given the current financial position of the Group, the proposed investment by the Subscriber in the Company by way of the Subscription provides much needed financial support to facilitate its debt restructuring proposal and, also, as outlined further below, the opportunity through the Reacquisition to retain StorageCo's interests in the PRC Storage Companies without any immediate further cash outflow. In addition, in view of the Subscriber's position in the oil trading, commodities trading and logistics industry sectors, the Directors believe that the Subscriber's support can encourage more favourable consideration by banks and trade creditors of the Group for reasonable restructuring proposals to bring the Group out of its current liquidity crisis and facilitate the Group's endeavours to grow its business going forward. The executive Directors and Mr. Tsoi (a non-executive Director), therefore, consider the Subscription Agreement and the transactions as described below, and the proposed Whitewash Waiver, which is a condition precedent to completion, to be in the best interests of the Company taking into account the prevailing circumstances of the Group. The views of the Whitewash IBC will be contained in the circular after considering the advice and recommendations of the independent financial adviser to be appointed for this purpose.

## **THE SUBSCRIPTION AGREEMENT**

The Subscription Agreement contains the principal terms set out below:

**Date**

1 August 2012

**Parties**

Issuer: The Company

Subscriber: Guangdong Zhenrong Energy Co., Ltd, a state-owned enterprise incorporated under the laws of the PRC which carries on the business of bulk commodities, energy and resource trading.

The Subscriber is owned as to 44.3% by Zhuhai Zhen Rong Company (a PRC state-owned enterprise), as to 35% by Hainan Li Jin Investment Co., Ltd (which is owned by Xia Ying Yan, He Xiao Qun and Liang Wei), as to 15% by Beijing Mo Ya Xun Technology Co Ltd (which is owned by Li Tong Nan and Liu Ge), as to 4.2% by Beijing Ding Da Investment Co. Ltd. (which is owned by Gao Yong Qing and Gao Wei) and as to 1.5% by Guangzhou Long Sen Investment Co Ltd (which is owned by Cai Xu Hui and Chang Yao Nan). As at the date of this announcement, the Subscriber and its ultimate beneficial owners are third parties independent of the Company and its connected persons in accordance with the Listing Rules.

**The Subscription and Subscription Shares**

Pursuant to the Subscription Agreement, the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 7,000,000,000 new Adjusted Shares (being the Subscription Shares) at the Subscription Price of HK\$0.025 per Subscription Share.

The Subscription Shares represent approximately 895.08% of the issued ordinary share capital of the Company (upon completion of the Capital Reorganisation) and approximately 89.95% of the issued ordinary share capital of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Subscription Shares, in each case, assuming no issue of further shares by the Company whether pursuant to the exercise of rights under the Listco Convertible Notes, the Listco Preferred Shares (for which the Company has received a redemption notice from SPHL on 4 July 2012), the outstanding options granted or may be granted under the 2002 Share Option Scheme and the 2011 Share Option Scheme or otherwise. On redemption of the Listco Preferred Shares, no Listco Preferred Shares will remain outstanding. If the transaction proceeds, the Subscriber will become the controlling Shareholder upon completion of the Subscription.

On completion of the Subscription, less than 25% of the entire issued ordinary share capital will be held by the public. Accordingly, the Company will not be able to fulfil the minimum public float requirement as set out under Rule 8.08 of the Listing Rules after the issue of the Subscription Shares to the Subscriber. Under the Subscription Agreement, the Subscriber has given an undertaking to the Company to take such steps as may be necessary to satisfy the Stock Exchange to ensure that adequate public float of the Company can be maintained immediately upon completion of the Subscription.

The Subscription Price of HK\$0.025 per Subscription Share was determined after arm's length negotiations between the Company and the Subscriber taking into account on the part of the Company, among other things, the prevailing market conditions and the Group's

financial position including (i) the accumulated losses of the Company as disclosed in its 2011 Annual Report; (ii) the Company's unaudited consolidated net asset value as at 31 May 2012 and its financial performance.

The Subscription Price of HK\$0.025 per Subscription Share represents:

- (i) a discount of approximately 98.98% to the theoretical closing price of HK\$2.46 per Adjusted Share, based on the closing price of HK\$0.246 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effects of the Capital Reorganisation;
- (ii) a discount of approximately 98.90% to the average theoretical closing prices of approximately HK\$2.268 per Adjusted Share, based on the average closing price of approximately HK\$0.2268 per Share as quoted on the Stock Exchange over the last 5 trading days up to and including the Last Trading Day and adjusted taking into account the effects of the Capital Reorganisation; and
- (iii) a discount of approximately 98.82% to the average theoretical closing prices of approximately HK\$2.122 per Adjusted Share, based on the average closing price of approximately HK\$0.2122 per Share as quoted on the Stock Exchange over the last 15 trading days up to and including the Last Trading Day and adjusted taking into account the effects of the Capital Reorganisation.

The net proceeds from the Subscription after deducting related fees and expenses is estimated to be approximately HK\$173 million. Accordingly, the net price per Subscription Share is estimated to be approximately HK\$0.0247.

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects with all the Adjusted Shares in issue as at the date of completion of the Subscription.

The Subscription Shares are to be issued pursuant to a special mandate to be sought from the Shareholders. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

### **Conditions precedent**

Completion of the Subscription is conditional upon:

- (i) the Listing Committee of the Stock Exchange having granted listing of and permission to deal in the Subscription Shares and the Adjusted Shares;
- (ii) Shareholders (excluding those who are required under the Listing Rules not to vote in respect of each such matter) approving the Capital Reorganisation, the issue of the Subscription Shares and (if necessary) an increase in authorised share capital of the Company in accordance with Bermuda laws and the requirements of the Listing Rules, and all the transactions contemplated under the Subscription Agreement;
- (iii) the Executive having granted the Whitewash Waiver and the Independent Shareholders (being Shareholders permitted to vote under the Takeovers Code) having approved the Whitewash Waiver in accordance with the requirements of the Takeovers Code;



- (iv) the Stock Exchange having unconditionally or conditionally approved the resumption of trading of the Shares based on the resumption proposal to be submitted to the Stock Exchange (as may be supplemented or amended from time to time) and any other conditions attached to such approval having been fulfilled or waived by the Stock Exchange;
- (v) dismissal of the Bermuda Proceedings and such dismissal not being appealed within the relevant appeal time period of the relevant laws applicable to the Bermuda Proceedings;
- (vi) the Titan Debt Restructuring Proposal, in form and substance satisfactory to the Subscriber, having been approved by the courts of Bermuda and such other courts and/or analogous sanction and/or recognition in any other jurisdiction of the Titan Debt Restructuring Proposal (as the Subscriber considered to be necessary) having been obtained together with all consents, approvals, sanctions and filing of documents necessary for the purpose of making the Titan Debt Restructuring Proposal effective having been obtained and done in accordance with the applicable laws;
- (vii) all consents and approvals considered necessary by the Subscriber (whether from the courts, the Bermuda Monetary Authority, governmental or regulatory authorities in whatever jurisdictions) in connection with the Subscription, the allotment and transfer of the Subscription Shares and the Capital Reorganisation and the transactions contemplated in the Subscription Agreement having been obtained;
- (viii) there being no material adverse change in the financial position, business, property or operations of any member of the Group immediately before completion of the Subscription compared to that as at the date of the Subscription Agreement;
- (ix) the Subscriber having completed its financial and legal due diligence on the Group to its satisfaction in all respects and such due diligence will be completed within a reasonably practicable timeframe;
- (x) all representations and warranties given by the Company under the Subscription Agreement being true and accurate as at the date of the Subscription Agreement, and will continue to be so on each day up to and including the date of completion of the Subscription with reference to the facts and circumstances then subsisting from time to time;
- (xi) the Capital Reorganisation becoming effective under all applicable laws; and
- (xii) the shareholders of the Subscriber having approved its entering into and performance of the transactions contemplated under the Subscription Agreement.

Unless the above conditions precedent are fulfilled or waived in writing by the Subscriber (other than those set out in condition (iii) above, which cannot be waived) on or before 31 March 2013, the Subscriber will have the right to terminate the Subscription Agreement. Upon such termination, neither party will have any rights against the other except for any prior breaches.

## Completion

Subject to all the conditions set out in the section headed “Conditions Precedent” above (to the extent not waived) being fulfilled, completion of the Subscription is expected to take place on the fifth Business Day after all of the conditions (save and except conditions (viii) and (x) above and those conditions waived by the Subscriber) are fulfilled.

## Termination

The Subscription Agreement shall terminate on the date of when the Subscriber issues a written notice to the Company upon the occurrence of any of the following events (unless the right to issue such notice upon the occurrence of such event has been waived by the Subscriber in writing):

- (i) the appointment of one or more liquidators (provisional or otherwise), administrator or any analogous officer for the winding up of the Company in any jurisdiction whatsoever;
- (ii) the liquidators (provisional or otherwise), administrators or any analogous officers of StorageCo in any jurisdiction whatsoever indicating that they intend to disclaim, avoid, surrender and/or challenge any of the transactions contemplated under the Subscription Agreement; or
- (iii) the making of an order to wind up the Company or any of its subsidiaries (other than StorageCo).

Upon termination of the Subscription Agreement, the obligations of the parties to the Subscription Agreement (subject to provisions in relation to confidentiality obligations, notices, governing law and jurisdiction and other general provisions) shall immediately cease and neither party shall have any claims against the other party in respect of any matter arising out of or in connection with the Subscription Agreement, save for any antecedent breaches. **As completion of the Subscription is subject to the fulfilment of a number of conditions precedent and the termination rights of the Subscriber, the Subscription may or may not proceed to completion. Shareholders and investors should exercise caution when dealing in the Shares and securities of the Company.**

## **Arrangements in relation to the PRC Storage Companies and possible issue of unlisted unsecured New Convertible Bonds by the Company**

As disclosed in the Company's announcement dated 20 July 2012, the Eastern Caribbean Supreme Court has ordered the liquidation of StorageCo and has appointed joint and several liquidators of StorageCo.

In addition to the Subscription, the Subscriber also agreed in the Subscription Agreement and, subject to agreement by the liquidators of StorageCo, (i) to provide not less than US\$40 million interim funding to the PRC Storage Subsidiaries for the purposes of funding the working capital requirements and debt repayment obligations of the PRC Storage Subsidiaries, the storage business of which is to be managed by the Subscriber or its nominee; and (ii) to negotiate with StorageCo or its liquidators to acquire all of StorageCo's interests in the PRC Storage Companies for a consideration not exceeding US\$145 million (or such other amount as the Subscriber and the Company may agree from time to time). The terms of the

Acquisition (if it proceeds) will have to be agreed between the Subscriber and the liquidators of StorageCo, but given the possible Reacquisition the Subscriber is required under the Subscription Agreement to seek the agreement of the Company on the final price of the Acquisition.

The proposed Onshore Acquisition is intended to facilitate the Company's retention of StorageCo's interests in the PRC Storage Companies and, accordingly, the Subscriber has conditionally agreed to sell to the Company all its interests in the PRC Storage Companies acquired under the Onshore Acquisition, at the same price, in consideration for the issue of the New Convertible Bonds. The Reacquisition is proposed to be completed simultaneous with completion of the Subscription. However, the completion of the Subscription is not conditional on the Reacquisition taking place.

As discussions with the StorageCo's liquidators have just been initiated, the Subscription Agreement contemplates that a further conditional agreement may be entered into between the Company and the Subscriber in connection with the Reacquisition as soon as practicable after the Subscriber concludes an agreement with StorageCo's liquidators with respect to the Onshore Acquisition. The Company will issue an announcement in accordance with the Listing Rules as soon as practicable upon the signing of an agreement for the Reacquisition.

As disclosed in the Company's announcement dated 12 July 2012, on redemption of the StorageCo Preferred Shares, the Company will indirectly hold 91.46% of the entire issued share capital of StorageCo. The Reacquisition will therefore increase the Company's attributable interest in StorageCo's holding of PRC Storage Companies. Assuming that the consideration for the Reacquisition is US\$145 million and based on the existing market capitalisation of the Company as determined in accordance with the Listing Rules, the Reacquisition will constitute a major transaction of the Company. Such "major transaction" categorisation is subject to change as the notifiable transaction categorisation of the Reacquisition under the Listing Rules is determined at the time the agreement for the Reacquisition is signed. The Company will issue an announcement as soon as practicable upon the signing of an agreement for the Reacquisition.

### ***Interim Funding***

The Subscriber has agreed to enter into management and funding arrangements with the PRC Storage Subsidiaries on terms to be agreed. The indicative terms for the management and funding arrangements based on a letter of interest issued to the liquidators of StorageCo are as follows:

Borrowers:	each of the PRC Storage Subsidiaries
Lender:	the Subscriber or its nominee
Loan:	not less than US\$40 million in aggregate
Drawdown schedules:	based on working capital requirements and repayment obligations of the borrowers
Term:	repayable on events of default occurring but in any event if completion of the Acquisition fails to take place

Management arrangement: the Subscriber to be responsible for the management of storage business of the borrowers.

### ***The possible Reacquisition and issue of New Convertible Bonds***

To facilitate the Company's retention of StorageCo's interests in the PRC Storage Companies held through StorageCo, the Subscriber agreed in the Subscription Agreement to negotiate after signing of the Subscription Agreement in good faith with StorageCo or its liquidators to acquire all StorageCo's interests in the PRC Storage Companies for a consideration not exceeding US\$145 million (or such other amount as the Subscriber and the Company may agree in writing from time to time). The terms of the Acquisition (if it proceeds) will have to be agreed between the Subscriber and the liquidators of StorageCo, but given the possible Reacquisition the Subscriber is required under the Subscription Agreement to seek the agreement of the Company on the final price of the Acquisition.

The Reacquisition is proposed to be effected on substantially the same commercial terms as the Onshore Acquisition but on terms to be set out in a further conditional agreement to be entered into between the Company and the Subscriber for that purpose, as soon as practicable after the terms of the Onshore Acquisition becomes available. The Reacquisition, if it proceeds, will be subject to conditions precedent including the following:

- (a) fulfilment of the conditions precedent to the completion of the Subscription Agreement;
- (b) the completion of the Onshore Acquisition;
- (c) the Reacquisition not being regarded or classified by the Stock Exchange as a "reverse takeover" as defined under Rule 14.06(6) of the Listing Rules;
- (d) the Stock Exchange having granted the listing of, and permission to deal in, the Adjusted Shares that fall to be issued on conversion of the New Convertible Bonds; and
- (e) the Shareholders of the Company (excluding those who are required under the Listing Rules not to vote in respect of such matter) approving the Reacquisition (including the issue of the New Convertible Bonds and the Adjusted Shares that fall to be issued on conversion of the New Convertible Bonds) in accordance with Bermuda laws and the requirements of the Listing Rules.

The consideration for the Reacquisition is to be an amount not exceeding US\$145 million, unless otherwise agreed in writing between the Subscriber and the Company and it is to be satisfied by the issue of the New Convertible Bonds, indicative terms for which are as follows:

Date of Issue : upon completion of the Reacquisition

Issue Price: 100% of the principal amount

Interest:	To be agreed between the Company and the Subscriber
Ranking:	The New Convertible Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and will at all times rank <i>pari passu</i> with of all existing and future subordinated, unsubordinated and unsecured obligations of the Company, unless otherwise agreed by the Subscriber and set out in the Titan Debt Restructuring Proposal. Customary negative pledge applies.
Maturity Date:	Two years or such longer period as the Company and the Subscriber may agree.
Conversion Price:	To be agreed between the Subscriber and the Company with reference to the net asset value of the Company and the trading price of the Shares of the Company from time to time.
Conversion Right:	<p>Holders of the New Convertible Bonds will have the option to convert any or all of the New Convertible Bonds into Adjusted Shares at the conversion price.</p> <p>No conversion will be allowed in the event such conversion would render:</p> <ul style="list-style-type: none"> <li>(i) the percentage of the total number of Adjusted Shares held by the public falling below the percentage as prescribed by the Listing Rules from time to time; or</li> <li>(ii) the holder(s) of the New Convertible Bonds proposing to exercise the conversion right and the parties acting in concert with it being obliged to make a mandatory offer pursuant to the Takeovers Code to acquire all issued Shares of the Company not already owned or agreed to be acquired by it or the parties acting in concert with it.</li> </ul>
Transferability:	No application will be made for the listing of the New Convertible Bonds on the Stock Exchange or any other stock exchange. The New Convertible Bonds shall be transferable by the holder subject to the applicable Listing Rules then in force.

More definitive terms of the New Convertible Bonds are expected to be set out in the conditional agreement for the Reacquisition to be signed by the Company and the Subscriber, if the Reacquisition is to proceed.

## **PROPOSED CAPITAL REORGANISATION**

As a condition precedent to the completion of the Subscription, the Directors propose to put forward to the Shareholders a proposal for the Capital Reorganisation which will involve:

- (i) the Share Consolidation, whereby every ten (10) issued Shares of HK\$0.01 each in the existing share capital of the Company will be consolidated into one (1) Consolidated Share of HK\$0.10 each;

- (ii) the Capital Reduction, whereby the total number of Consolidated Shares in the issued share capital of the Company will be rounded down to the nearest whole number and the paid-up capital of each Consolidated Share will be cancelled to the extent of HK\$0.09 per Consolidated Share so as to form an Adjusted Share of HK\$0.01 each; and
- (iii) the Transfer, whereby the amount (all or part thereof) standing to the credit of the existing distributable capital reduction reserve account of the Company and the credits arising from the Capital Reduction will be applied towards cancelling the accumulated losses of the Company, with the balance (if any) to be transferred to a reserve account of the Company which may be utilised by the Directors as a distributable reserve in accordance with the bye-laws of the Company and all applicable laws.

The Capital Reorganisation is conditional on the fulfilment of the following conditions:

- (a) the Titan Debt Restructuring Proposal, in form and substance satisfactory to the Subscriber, having been approved by the courts of Bermuda and such other courts and/or analogous sanctions and/or recognition in any other jurisdiction of the Titan Debt Restructuring Proposal (as the Subscriber considered to be necessary) having been obtained together with all consents, approvals, sanctions and filing of documents necessary for the purpose of making the Titan Debt Restructuring Proposal effective having been obtained and done in accordance with the applicable laws;
- (b) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in the Adjusted Shares to be issued upon the Capital Reorganisation becoming effective;
- (c) the passing of a special resolution to approve the Capital Reorganisation by the Shareholders at a general meeting;
- (d) there being no reasonable ground to believe that the Company is, or after the Capital Reduction would be unable to pay its liabilities as they become due; and
- (e) the dismissal of the Bermuda Proceedings and such dismissal not being appealed within the relevant appeal time period of the relevant laws applicable to the Bermuda Proceedings.

Save for the Listco Convertible Notes, the Listco Preferred Shares (for which the Company has received a redemption notice from SPHL on 4 July 2012) and the outstanding options granted or may be granted under the 2002 Share Option Scheme and 2011 Share Option Scheme or otherwise, the Company has no outstanding options, warrants or other securities convertible into or giving rights to subscribe for the Shares as at the date of this announcement.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares to be in issue upon the Capital Reorganisation becoming effective. The Adjusted Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid.

## **Effects of the Capital Reorganisation**

As at the date of this announcement, the authorised share capital of the Company is HK\$150,000,000 comprising 14,445,000,000 Shares of HK\$0.01 each and 555,000,000 Listco Preferred Shares of HK\$0.01 each, of which 7,820,554,682 Shares and 555,000,000 Listco Preferred Shares are issued (for which the Company has received a redemption notice from SPHL on 4 July 2012). Upon the Capital Reorganisation becoming effective and assuming all the Listco Preferred Shares will then have been redeemed and no further Shares will be issued or repurchased between the date of this announcement and the effective date of the Capital Reorganisation, the authorised share capital will remain unchanged and the issued ordinary share capital shall be HK\$7,820,554.68 divided into 782,055,468 Adjusted Shares and there will be no Listco Preferred Shares in issue. The amount standing to the credit of the contributed surplus of the Company and the credits of approximately HK\$70 million arising out of the Capital Reduction will be applied towards cancelling the accumulated losses of the Company at the relevant time (if any), with the balance (if any) be transferred to a reserve account of the Company which may be utilised by the Directors as a distributable reserve in accordance with the bye-laws of the Company and all applicable laws. The accumulated losses and contributed surplus of the Company were approximately HK\$1,639 million and HK\$61 million, respectively, as shown in the audited financial statements of the Company for the year ended 31 December 2011.

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, liabilities, business, operations, management or financial position of the Company and the Group or the interests of the Shareholders as a whole, save for any fractional Adjusted Shares (if any) to which the Shareholders would otherwise be entitled. The Directors believe that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group.

The Adjusted Shares will rank *pari passu* in all respects with each other and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders.

## **Reasons for the Capital Reorganisation**

The Directors consider that (i) the Capital Reorganisation will give greater flexibility to the Company to raise funds through the Adjusted Shares in future since the Company is not permitted to issue new shares below their par value under the laws of Bermuda and its bye-laws of the Company; (ii) the Share Consolidation will reduce the transaction costs for dealing in the shares of the Company, including those fees which are charged with reference to the number of board lots; and (iii) the elimination of the Company's accumulated loss will allow greater flexibility for the Company to pay dividends in the future. Accordingly, the Directors are of the view that the Capital Reorganisation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Fractional entitlements**

Fractional Adjusted Shares to which individual Shareholder is entitled will not be issued by the Company. Any such fractional entitlements to the Adjusted Shares will be aggregated, sold (if possible) and retained for the benefit of the Company.

## **CCASS eligibility**

Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS in the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

## **Free exchange of certificates for the Adjusted Shares and trading arrangements**

Subject to the Capital Reorganisation becoming effective, the Shareholders may, during the period to be specified in a further announcement to be made by the Company, submit their existing certificates for the Shares (in blue colour) held by them to the Company's share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26<sup>th</sup> Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, in exchange for new certificates for the Adjusted Shares at the expense of the Company. Thereafter, share certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each certificate for the Adjusted Shares issued or each share certificate for the Shares submitted for cancellation, whichever the number of certificates involved is higher.

Certificates for the Shares will continue to be good evidence of legal title on the basis of every ten Shares for one Adjusted Share and may be exchanged for certificates for the Adjusted Shares at any time. Nevertheless, they will not be acceptable for trading, settlement and registration purpose after the Capital Reorganisation becomes effective (except in a temporary counter after the commencement of dealings in the Adjusted Shares until parallel trading ends as will be set out in an expected timetable in respect of the Capital Reorganisation to be announced by the Company in due course).

## **Arrangement for matching service for odd lots**

In order to alleviate the difficulties arising from the existence of odd lots of the Adjusted Shares, the Company will procure a designated broker to arrange for the matching of the sales and purchases of odd lots of the Adjusted Shares. Details of the odd lot arrangements will be provided in the circular in relation to the Capital Reorganisation to be despatched to the Shareholders.

## **Expected timetable**

The Capital Reorganisation is conditional upon, among other things, approval of the Titan Debt Restructuring Proposal by the courts of Bermuda and the dismissal of the Bermuda Proceedings. As the Company is unable to ascertain the timing of such approval being obtained or dismissal being effective, it is impracticable to set out an expected timetable of the Capital Reorganisation at this stage. The Company will publish an announcement containing the expected timetable for the Capital Reorganisation as soon as practicable when



there is more certainty as to the fulfillment of the conditions precedent to the Capital Reorganisation.

## General

The Capital Reorganisation is conditional upon, among other things, approval of the Titan Debt Restructuring Proposal by the courts of Bermuda, the approval of the Capital Reorganisation by the Shareholders at the SGM by way of poll, the granting of listing of and permission to deal in the Adjusted Shares and the dismissal of the Bermuda Proceedings. As none of the Shareholders or their associates would have any material interest in the Capital Reorganisation which is different from that of the other Shareholders, no Shareholder would be required to abstain from voting on the resolution to approve the Capital Reorganisation at the SGM.

## USE OF PROCEEDS

The gross proceeds from the Subscription will be approximately HK\$175 million. The proceeds of the Subscription are intended to be applied towards payments to be made in respect of the Outstanding Notes as part of the Titan Debt Restructuring Proposal and as working capital for the Group. A further announcement will be made in respect of the terms of the Titan Debt Restructuring Proposal which is under discussion by the Company and the Subscriber, in consultation with the Ad-hoc Noteholders Committee.

## SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structures of the Company (i) as at the date of this announcement; (ii) immediately after the allotment and issue of the Subscription Shares; and (iii) immediately after the allotment and issue of the Subscription Shares, the exercise of the Listco Convertible Notes convertible into up to 52,348,335 Adjusted Shares and the outstanding options granted under the 2002 Share Option Scheme to subscribe for up to 19,623,000 Adjusted Shares:-

	As at the date of this announcement		Immediately after the allotment and issue of Subscription Shares		Immediately after the allotment and issue of Subscription Shares, exercise of Listco Convertible Notes and outstanding options under the 2002 Share Option Scheme	
	No. of Shares	%	No. of Adjusted Shares	%	No. of Adjusted Shares	%
Mr. Tsoi and his associates ( <i>Note 1</i> )	3,556,353,661	45.47	355,635,366	4.57	355,635,366	4.53
The Subscriber and parties acting in concert with it	-	-	7,000,000,000	89.95	7,000,000,000	89.12
Moral Base Investment Limited	1,000,000,000	12.79	100,000,000	1.29	100,000,000	1.27
Holders of the Listco Convertible Notes	-	-	-	-	52,348,335	0.67

Holders of outstanding options granted under the 2002 Share Option Scheme	-	-	-	-	19,623,000	0.25
Other public Shareholders	<u>3,264,201,021</u>	<u>41.74</u>	<u>326,420,102</u>	<u>4.19</u>	<u>326,420,102</u>	<u>4.16</u>
Total	<u>7,820,554,682</u>	<u>100.00</u>	<u>7,782,055,468</u>	<u>100.00</u>	<u>7,854,026,803</u>	<u>100.00</u>

*Notes:*

- 1. This includes Shares held by companies controlled by Mr. Tsoi and/or his spouse, including Titan Oil Pte Ltd., Great Logistics Holdings Limited, Titan Shipyard Investment Company Limited and Vision Jade Investments Limited.*
- 2. As disclosed in the Company's announcement dated 12 July 2012, the Company received on 4 July 2012 a notice to redeem all of the outstanding 555,000,000 Listco Preferred Shares from SPHL. Redemption monies are payable 30 business days after the date of the redemption notice.*
- 3. Upon completion of the Subscription, less than 25% of the entire issued ordinary share capital will be held by the public. Accordingly, the Company will not be able to fulfil the minimum public float requirement as set out under Rule 8.08 of the Listing Rules upon issue of the Subscription Shares to the Subscriber. Under the Subscription Agreement, the Subscriber has given an undertaking to the Company to take such steps as may be necessary to satisfy the Stock Exchange to ensure that adequate public float of the Company can be maintained immediately upon completion of the Subscription.*

Save as disclosed above, as at the date of this announcement, there are no other outstanding options, warrants, derivatives, or other securities which carry rights to subscribe for or be converted into Shares. The Company has not had any fund raising exercises in the past 12 months immediately preceding the date of this announcement.

Save as disclosed in the table above, none of the Subscriber and parties acting in concert with it own, have control or direction over any voting rights and rights over Shares, or hold any convertible securities, warrants, or options in respect of the Shares as at the date of this announcement, and there is no outstanding derivative in respect of securities in the Company which has been entered into by the Subscriber or any person acting in concert with it as at the date of this announcement.

The Subscriber has confirmed neither the Subscriber nor parties acting in concert with it has received any irrevocable commitment to vote in favour of the Subscription Agreement, the Whitewash Waiver and, if applicable, the Special Deal. The Subscriber has confirmed to the Company that apart from the Subscription Agreement, (i) neither the Subscriber nor parties acting in concert with it have dealt for value in the securities of the Company in the six-month period prior to and including the date of this announcement, (ii) as at the date of this announcement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of the Subscriber which might be material to the Subscription and/or the Whitewash Waiver and/or (if applicable) Special Deal under Note 8 to Rule 22 under the Takeovers Code; and (iii) as at the date of this announcement, there is no agreement or arrangement to which the Subscriber is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and/or the Whitewash Waiver and/or (if applicable) Special Deal. The Subscriber has further confirmed that none of the Subscriber or any person acting

in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the date of this announcement, save for any borrowed Shares which have been either on-lent or sold.

## **LISTING RULES AND TAKEOVERS CODE IMPLICATIONS**

The Subscription Shares are to be issued pursuant to a special mandate to be sought from the Shareholders.

Immediately after completion of the Subscription, the Subscriber and parties acting in concert with it will be interested in an aggregate of 7,000,000,000 Adjusted Shares, representing approximately 89.95% of the issued ordinary share capital of the Company after the Capital Reorganisation as enlarged by the allotment and issue of the Subscription Shares.

Upon completion of the Subscription, less than 25% of the entire issued ordinary share capital will be held by the public. Accordingly, the Company will not be able to fulfil the minimum public float requirement as set out under Rule 8.08 of the Listing Rules upon issue of the Subscription Shares to the Subscriber. Under the Subscription Agreement, the Subscriber has given an undertaking to the Company to take such steps as may be necessary to satisfy the Stock Exchange to ensure that adequate public float of the Company can be maintained immediately upon completion of the Subscription. **If, immediately after completion of the Subscription, less than 25% of the ordinary shares of the Company are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the shares in the Company; or (ii) there are insufficient shares of the Company in public hands to maintain an orderly market, the Stock Exchange may consider exercising its discretion to suspend dealings in the shares of the Company.**

As the Subscriber will have acquired 30% or more voting rights in the Company pursuant to the Subscription Agreement, an obligation on the part of the Subscriber to make a general offer for all the issued securities in the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it will arise under Rule 26 of the Takeovers Code as a result of the issue of the Subscription Shares to the Subscriber, unless a waiver for such obligation is granted.

The Subscriber will make an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. The Subscriber, parties acting in concert with it and its associates and those who are involved or interested in the Subscription, the Whitewash Waiver or (if applicable) the Special Deal will abstain from voting on the resolution to approve the Subscription, the Whitewash Waiver and (if applicable) the Special Deal at the SGM.

The granting of the Whitewash Waiver by the Executive and the approval of the Whitewash Waiver by the Independent Shareholders are conditions precedent to completion of the Subscription. **Accordingly, if the Whitewash Waiver is not granted or approved by the Independent Shareholders, the Subscription will not proceed.**

If and to the extent that the Titan Debt Restructuring Proposal involves the payment of all or part of proceeds of the Subscription to holders of the Outstanding Notes who are also holders

of Shares, or to SPHL as holder of Listco Preferred Shares sought to be redeemed, such payments will constitute a special deal under Note 5 to Rule 25 of the Takeovers Code and may not proceed without, amongst other things, the consent of the Executive and the approval of Independent Shareholders by way of a resolution voted by way of poll separate from the resolution to approve the Subscription and the Whitewash Waiver. In such circumstances, the Takeovers Code require that holders of the Outstanding notes who are also shareholders of the Company and SPHL to abstain from voting on the resolution approving the Subscription, the Whitewash Waiver and the Special Deal. As at the date of this announcement, the Directors are not aware of any holder or beneficial owner of the Outstanding Notes being also a shareholder of the Company. The Company will take steps prior to the despatch of the circular of shareholders of the Company to convene the SGM to ascertain whether or not any holder (or beneficial owners) of the Outstanding Notes are also holder of Shares, and to notify them and SPHL that they must abstain from voting on the relevant resolution as their vote will not in any event be counted.

## **ADJUSTMENTS TO OTHER SECURITIES ISSUED BY THE COMPANY**

The issue of the Subscription Shares may cause adjustment(s) to the exercise price and the number of Adjusted Shares to be issued under the conversion price and the number of Adjusted Shares to be issued upon conversion of the Listco Convertible Notes and the exercise of the outstanding options granted or may be granted under the 2002 Share Option Scheme and 2011 Share Option Scheme. The Company will instruct its auditors or financial adviser to review and certify the basis of such adjustments as soon as possible. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

## **GENERAL**

The Whitewash IBC comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders on the Subscription, the Whitewash Waiver, (if applicable) the Special Deal and the transactions contemplated thereunder. The non-executive Director is Mr. Tsoi who was until 3 July 2012 the Chairman and executive Director of the Company and had initiated discussions by the Company with the Subscriber. Accordingly, he would not form part of the Whitewash IBC. An independent financial adviser will be appointed to advise the Whitewash IBC in respect of the Whitewash Waiver, the Subscription and (if applicable) the Special Deal and how the Independent Shareholders should vote in respect of the resolution to approve the Whitewash Waiver, the Subscription and (if applicable) the Special Deal. A further announcement will be made by the Company as soon as possible after the appointment of the independent financial adviser. No member of the Whitewash IBC has any interest or involvement in the Subscription, the Whitewash Waiver or (if applicable) the Special Deal.

A circular containing, among other things, (i) details of the Subscription Agreement; (ii) details of the Capital Reorganisation; (iii) details of the Whitewash Waiver and (if applicable) the Special Deal; (iv) a letter of recommendation from the Whitewash IBC to the Independent Shareholders in respect of the fairness and reasonableness of the Subscription, the Whitewash Waiver and (if applicable) the Special Deal; (v) a letter of advice from the independent financial adviser to be appointed to advise the Whitewash IBC and the Independent Shareholders in relation to the Subscription, the Whitewash Waiver and (if applicable) the Special Deal; (vi) a notice of the SGM; and (vii) other information as required under the

Listing Rules and the Takeovers Code, is expected to be dispatched by the Company to the Shareholders as soon as practicable.

**As completion of the Subscription is subject to the fulfilment of a number of conditions precedent and the termination rights of the Subscriber, the Subscription may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares and securities of the Company.**

## **UPDATE ON THE LITIGATION / WINDING UP PROCEEDINGS**

There has been no further material developments on the litigation or winding up proceedings previously announced by the Company.

As stated in the announcement of the Company dated 20 July 2012, the BVI court has ordered (the "Order") the liquidation of StorageCo and the appointment of joint liquidators of StorageCo on 17 July 2012. On 18 July 2012 (BVI time), Titan Oil Storage Investment Limited, a wholly-owned subsidiary of the Company, has filed a notice of appeal at the Court of Appeal of the Eastern Caribbean Supreme Court against the Order and has applied for a stay of execution of the Order pending the determination of the appeal. No date has yet been set down for the hearing of the appeal or the application for stay. As the Subscriber has commenced discussions with the liquidators of StorageCo and no date for the hearing of the application for stay of execution of the Order has yet been fixed, the Company has applied to withdraw that application.

The petition by SPHL for an order, amongst other things, to wind up and to appoint a provisional liquidator against the Company remains scheduled to be heard in Bermuda on 16 August 2012 (Bermuda time).

## **CONTINUED SUSPENSION IN TRADING**

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

## **DEFINITIONS**

The following terms are used in this announcement with the meanings set opposite them:-

“%”	per cent.
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Adjusted Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company upon the Capital Reorganisation becoming effective
“Ad-hoc Noteholders Committee”	an informal committee of noteholders (without recourse) constituted to express the views of holders of the Outstanding Notes in relation to ongoing

	negotiations over the terms of a proposed restructuring of the Outstanding Notes through a scheme of arrangement of the Company under Bermuda laws
“associates”	has the meaning ascribed to it under the Listing Rules
“Bermuda Proceedings”	the liquidation proceeding commenced pursuant to the winding up petition issued on 9 July 2012 by SPHL against the Company in Bermuda
“Board”	board of Directors
“Business Day”	a day (other than a Saturday) on which banks are open for business in Hong Kong
“Capital Reduction”	the proposed round down of the total number of issued Consolidated Shares to the nearest whole number and the reduction of the issued share capital of the Company by the cancellation of the paid-up capital to the extent of HK\$0.09 on each of the Consolidated Share such that the nominal value of each Consolidated Share will be reduced from HK\$0.10 to HK\$0.01
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company involving (i) the Share Consolidation; (ii) the Capital Reduction; and (iii) the Transfer
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Titan Petrochemicals Group Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1192)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company immediately after the Share Consolidation, but before the Capital Reduction, becoming effective
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time or any delegate of the Executive Director
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	Shareholder(s) other than (1) the Subscriber, parties acting in concert with it and its associates; and (2) those who are involved or interested in the Subscription, the Whitewash Waiver or the Special Deal
“Last Trading Day”	18 June 2012, being the last trading day of the Shares on the Stock Exchange prior to the release of this announcement
“Listco Convertible Notes”	the guaranteed senior convertible notes due 2015 issued by the Company of which US\$47.96 million remains outstanding as at the date of this announcement
“Listco PIK Notes”	the guaranteed senior payment-in-kind notes due 2015 issued by the Company of which US\$12,715,822 remains outstanding as at the date of this announcement
“Listco Preferred Shares”	the convertible redeemable preferred shares of HK\$0.01 each issued by the Company
“Listco Senior Notes”	the 8.5% fixed rate senior notes due 2012 issued by the Company of which US\$105.87 million remains outstanding as at the date of this announcement
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tsoi”	Tsoi Tin Chun, controlling Shareholder of the Company as at the date of this announcement
“New Convertible Bonds”	the convertible bonds to be issued by the Company in the aggregate principal amount equal to the amount of consideration paid by the Subscriber to StorageCo or its liquidators in the Onshore Acquisition
“Onshore Acquisition”	the proposed acquisition by the Subscriber to be negotiated with StorageCo or its liquidators for the acquisition of all StorageCo interests in the PRC Storage Companies for a consideration not exceeding US\$145 million (or such other amount as the Subscriber and the Company may agree in writing)

“Outstanding Notes”	the Listco Senior Notes, the Listco PIK Notes and Listco Convertible Notes
“PRC”	the People’s Republic of China
“PRC Storage Companies”	the companies operating onshore oil storage facilities in the PRC (including the PRC Storage Subsidiaries) in which StorageCo directly or indirectly hold equity interest and the intermediate holding companies
“PRC Storage Subsidiaries”	Guangzhou Nansha Titan Petrochemical Development Company Limited, Fujian Titan Petrochemical Storage Development Co., Ltd. and Quanzhou Titan Petrochemical Terminal Development Co., Ltd.
“Reacquisition”	the proposed acquisition by the Company from the Subscriber of all interests in the PRC Storage Companies acquired under the Onshore Acquisition at the same price in consideration for the issue of the New Convertible Bonds
“SFC”	the Securities and Futures Commission of Hong Kong
“SGM”	the special general meeting of the Company to be convened to consider, and if thought fit, approve, among other things, the Subscription Agreement and the transactions contemplated thereunder, the Whitewash Waiver, the Capital Reorganisation and (if applicable) the Special Deal
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Share Consolidation”	the proposed consolidation of every ten (10) issued Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.10 each
“Shareholder(s)”	holder(s) of the Shares or Adjusted Shares, as the case may be
“SPHL”	Saturn Petrochemical Holdings Limited, the holder of the 555,000,000 Listco Preferred Shares as at the date of this announcement (for which the Company has received a redemption notice on 4 July 2012)
“Special Deal”	any payments of proceeds of the Subscription under Titan Debt Restructuring Proposal to holders of the Outstanding Notes who are also holders of Shares or to SPHL as holder of Listco Preferred Shares



“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“StorageCo”	Titan Group Investment Limited, a company incorporated in the British Virgin Islands, in which Titan Oil Storage Investment Limited (a wholly-owned subsidiary of the Company) and Saturn Storage Limited are shareholders
“StorageCo Preferred Shares”	the convertible redeemable preferred shares of US\$1.00 each issued by StorageCo
“Subscriber”	Guangdong Zhenrong Energy Co., Ltd, a company incorporated in the PRC
“Subscription”	the proposed subscription of Subscription Shares at the Subscription Price by the Subscriber and the transactions contemplated under on the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 1 August 2012 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	HK\$0.025 per Subscription Share
“Subscription Shares”	7,000,000,000 new Adjusted Shares (or such other number of new Adjusted Shares forming approximately 90% of the entire issued share capital of the Company immediately upon completion of the Subscription) to be issued and allotted under the Subscription Agreement
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Titan Debt Restructuring Proposal”	a creditors' scheme of arrangement of the Company in respect of the Company's liabilities (including but not limited to the Listco Convertible Notes, Listco PIK Notes and Listco Senior Notes and redemption of the Listco Preferred Shares by SPHL)
“Transfer”	the application of the credits arising out of the Capital Reduction and the amount standing to the credit of the existing distributable capital reduction reserve account of the Company to cancel the accumulated losses of the Company with the balance (if any) to be transferred to a reserve account of the Company which may be utilised by the Directors as a distributable reserve in accordance with the bye-laws of the Company and all applicable laws
“Whitewash IBC”	a committee of the Board established for the purpose

of advising the Shareholders in respect of the Subscription, the Whitewash Waiver and (if applicable) the Special Deal

“Whitewash Waiver”

a waiver of the obligation of the Subscriber to make a mandatory general offer for all the issued securities of the Company other than those already owned (or agreed to be acquired) by the Subscriber and any parties acting in concert with it pursuant to Note 1 on Dispensation from Rule 26 of the Takeovers Code as a result of the issue of the Subscription Shares

“2002 Share Option Scheme”

the share option scheme adopted by the Company dated 31 May 2002 (as amended on 24 June 2010)

“2011 Share Option Scheme”

the share option scheme adopted by the Company dated 20 June 2011

By Order of the Board  
**Titan Petrochemicals Group Limited**  
**Patrick Wong Siu Hung**  
*Executive Director*

Hong Kong, 7 August 2012

*As at the date of this announcement, the executive Directors are Mr. Zhao Xu Guang (Chairman), Mr. Patrick Wong Siu Hung and Mr. Fu Yong Yuan; the non-executive Director is Mr. Tsoi Tin Chun; and the independent non-executive Directors are Mr. John William Crawford, JP, Mr. Abraham Shek Lai Him, JP and Mr. Shane Frederick Weir.*

*As at the date of this announcement, Mr. Xiong Shaohui, Mr. Fan Qinghua, Mr. Luo Jie, Mr. Li Tongnang and Mr. Li Hongwei are the directors of the Subscriber.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to the Subscriber) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.*

*The directors of the Subscriber accept jointly and severally full responsibility for the accuracy of the information contained in this announcement in relation to information relating to the Subscriber only and confirms, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.*