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# Proposed US\$175 Million Investment in Titan by Warburg Pincus

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On 28 March 2007, Titan announced that it had reached an agreement to introduce Warburg Pincus as an investor in Titan and China StorageCo, the vehicle through which Titan will hold its on-shore storage terminal operations in the PRC, and pursuant to which Titan will secure aggregate funds of HK\$1,365 million (US\$175 million), split between a HK\$585 million (US\$75 million) investment in Titan and a HK\$780 million (US\$100 million) investment in China StorageCo.

The transaction is subject to regulatory clearance and customary closing conditions and is expected to close in the second quarter of 2007.

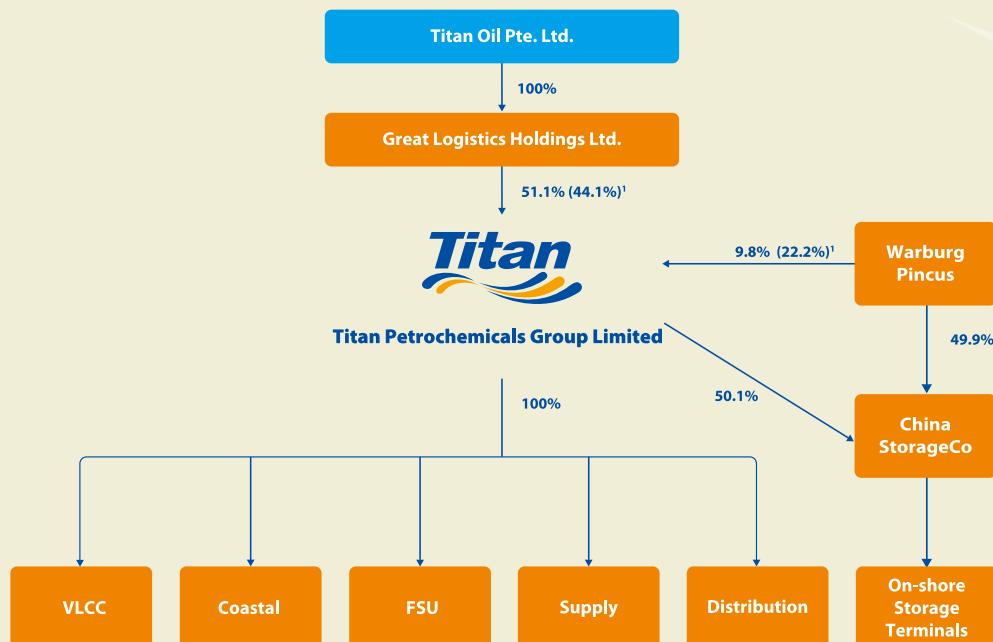
*For shareholders: please refer closely to the circular for further information, which will be sent to our shareholders after the printing date of this annual report. The circular will contain details of the proposed investment by Warburg Pincus and the notice of the special general meeting to consider and if thought fit approve the transaction.*

The following diagrams show how the transaction with Warburg Pincus would affect the Group's shareholding structure.

### Simplified existing Group structure



### Simplified Group structure immediately after completion of the Warburg Pincus investment



#### Notes:

1. The percentages between brackets represent the holdings of the respective parties upon conversion or exercise in full of the securities held by Warbury Pincus at their initial conversion or exercise price, and assuming that Warburg Pincus retains its holding of Titan ordinary shares.
2. All percentages assume no other changes to the share capital of Titan or disposals or acquisitions of Titan shares by the parties concerned.

We welcome Warburg Pincus as a reliable and long-term strategic shareholder and believe our relationship with Warburg Pincus will provide a number of particular advantages:

**Endorsement and acceleration of Titan's strategy** of transforming its business towards an integrated oil logistics model and so reducing the Group's previous exposure to the volatile VLCC market.

**Financial flexibility and a fully-funded business plan** through a significant strengthening of the shareholder and overall capital base of Titan through the injection of new capital. The transaction is structured to provide HK\$585 million (US\$75 million) to grow the transportation, FSU, supply and distribution businesses. It will also provide a further HK\$780 million (US\$100 million) of funding to China StorageCo, thus ensuring that the build-out of the on-shore storage terminals in China to planned capacity levels is fully funded.

**Additional room to build on our existing platform to drive scaleable and significant growth** in line with our strategy. The transaction provides us with increased strategic flexibility to selectively explore new growth avenues to support or complement our existing businesses.

**Ability to leverage synergies in one integrated platform centred on onshore storage operations** as a result of the full equity funding for the China terminals. Once fully operational, the terminals will allow us to capitalise on our strategy of developing an integrated oil logistics business by allowing our various businesses to grow synergistically around the increasing flows of oil and chemical products into China.

Our distribution and supply businesses will benefit from access to the physical storage infrastructure, which will enhance their competitive advantages. Flows of oil products around the storage facilities will also provide a market opportunity for our transportation business, and we have in addition acquired the necessary licences to operate a wholesale distribution business in China, with the aim of improving the liquidity of oil product flows into the market.

**A long-term partnership providing access to expertise and capital** will add considerable value to Titan and bring with it international best practices in business strategy and corporate governance. The Group will benefit from access to the global experience, expertise and relationship network of Warburg Pincus, an experienced investor in the energy sector and one of the world's most reputable equity investors with US\$22 billion of funds under management.

Warburg Pincus LLC has been a leading private equity investor since 1971. It has sponsored 11 private equity investment funds, which have invested approximately US\$25 billion in more than 550 companies in 30 countries. The firm currently has approximately US\$22 billion under management and invests in a range of industries, including energy, consumer, information and communication technology, financial services, healthcare, industrial, media business services and real estate. The firm has invested more than US\$2 billion in Asia since 1994 and has invested an equivalent amount in equity funding for energy companies around the world since the late 1980s.