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Titan Petrochemicals Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1192)

Amendment to the Original Shipyard Purchase Agreement and Despatch of Shareholders Circular in respect of the major and connected transaction Purchase of 100% interest in the Shipyard Holdco

Financial adviser to Titan



Merrill Lynch

Merrill Lynch (Asia Pacific) Limited

Amendment to the Original Shipyard Purchase Agreement

Further to the First Announcement, the Company and the Shipyard Vendors have agreed to alter the structure for the issue of the Consideration Shares in such a manner that does not affect the commercial substance of the transaction contemplated under the Original Shipyard Purchase Agreement but that removes any potential non-cash earnings accounting impact (whether positive or negative) under the original structure, for the benefit of the Company and the holders of Titan Shares.

Instead of issuing Shipyard Preferred Shares on Completion which are convertible into Titan Ordinary Shares when specified NPBT Targets are met or exceeded, under the Shipyard Purchase Agreement, the "earn-out" arrangement will be given effect by the direct issue of Earn-out Shares in three tranches of up to 88,601,711 new Titan Ordinary Shares, 88,601,711 new Titan Ordinary Shares and 177,203,422 new Titan Ordinary Shares after the 2008 NPBT, 2009 NPBT and 2010 NPBT can be ascertained. The number of Earn-out Shares will be calculated on the same basis as Titan Ordinary Shares which were to be issued on conversion of the Shipyard Preferred Shares under the original structure, except if no profit is made in any of the relevant financial years, then no Earn-out Shares will be issued in respect of that year. Accordingly the dilution effect of the issue of the Consideration Shares is substantially the same under both structures.

Despatch of Circular

The Company has despatched to the holders of Titan Shares a circular dated 24 September 2007 relating to the acquisition contemplated under the Shipyard Purchase Agreement and the notice of the special general meeting to consider, and if thought fit, approve the transactions under the Shipyard Purchase Agreement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company. Holders of the securities of the Company and prospective investors should exercise caution when dealing in the securities of the Company as Completion is subject to the fulfilment of certain conditions precedent.

A. INTRODUCTION

The Board announced in the First Announcement that on 3 September 2007, the Company and the Shipyard Vendors entered into the Original Shipyard Purchase Agreement pursuant to which the Company has agreed, conditional upon the fulfilment of certain conditions precedent, to purchase the entire issued share capital of Shipyard Holdco (which wholly-owns Titan Quanzhou Shipyard) at a total consideration of US\$170 million (approximately HK\$1,326 million). The consideration was to be satisfied as to approximately US\$56.9 million (approximately HK\$443.8 million) by cash payment and as to the balance of US\$113.1 million (approximately HK\$882.2 million) by the issue of the Consideration Shares, which comprised 1,046,198,808 Shipyard Ordinary Shares and 354,406,844 Shipyard Preferred Shares.

On 21 September 2007, the Company and the Shipyard Vendors have agreed pursuant to an agreement to alter the structure for the issue of the Consideration Shares in a manner that does not affect the commercial substance of the transaction contemplated under the Original Shipyard Purchase Agreement but that removes any potential non-cash earnings accounting impact (whether positive or negative) under the original structure, for the benefit of the Company and the holders of Titan Shares. Further particulars of the agreed changes are set out below.

B. AMENDMENTS TO THE ORIGINAL SHIPYARD PURCHASE AGREEMENT

On 21 September 2007, the Company and the Shipyard Vendors entered into an agreement which seeks to amend the Original Shipyard Purchase Agreement so as to change the structure of the Consideration Shares to be issued as a portion of the Consideration for, and pursuant to, the Company's proposed acquisition of the entire issued share capital of Shipyard Holdco (which wholly-owns Titan Quanzhou Shipyard). The total consideration for the acquisition (assuming all NPBT Targets are met or exceeded) remains US\$170 million (approximately HK\$1,326 million), which is to be satisfied as to approximately US\$56.9 million (approximately HK\$443.8 million) by cash payment and as to the balance of US\$113.1 million (approximately HK\$882.2 million) by the issue of the Consideration Shares at HK\$0.63 per Consideration Share, as described further below.

Consideration Shares

Instead of issuing Shipyard Preferred Shares on Completion which are convertible into Titan Ordinary Shares when specified NPBT Targets are met or exceeded, under the Shipyard Purchase Agreement, the "earn-out" arrangement will be given effect by the direct issue of Earn-out Shares in three tranches of up to 88,601,711 new Titan Ordinary Shares, 88,601,711 new Titan Ordinary Shares and 177,203,422 new Titan Ordinary Shares on the seventh Business Day after receipt by

the Company of the audited consolidated financial statements of the Shipyard Group for FY2008, FY2009 and FY2010, respectively. The number of Earn-out Shares that fall to be issued will be calculated on the same basis as the Titan Ordinary Shares which were to be issued on conversion of the Shipyard Preferred Shares under the original structure, so that the number of Earn-out Shares capable of issue would be reduced rateably if the 2008 NPBT, 2009 NPBT or 2010 NPBT falls short of the relevant NPBT Target. However, if no profit is made in any of the relevant financial years, then no Earn-out Shares will be issued in respect of that year.

Accordingly, the dilution effect of the issue of the Consideration Shares is substantially unchanged. The Earn-out Shares, if and when issued, will rank *pari passu* with the Titan Ordinary Shares then in issue. The following table illustrates out the dilution effects of the issue of the Consideration Shares (including the issue of the Earn-out Shares) the conversion and/or exercise of the WP Securities and outstanding options to subscribe for Titan Shares granted pursuant to the existing share option scheme of Titan.

	As at 21 September 2007 (being the latest practicable date for ascertaining such information)		On Completion and assuming no conversion or exercise of the WP Securities and no issue of Earn-out Shares		On Completion and issue of Earn-out Shares assuming all NPBT Targets are met or exceeded		On Completion and issue of Earn-out Shares assuming all NPBT Targets are met or exceeded and full conversion and exercise of the WP Securities and exercise of options ²		On Completion and full conversion and exercise of the WP Securities and exercise of options, the actual NPBTs being zero or less ²	
	No. of Shares/ Preferred Shares/ Warrants	Voting rights (%)	No. of Shares/ Preferred Shares/ Warrants	Voting rights (%)	No. of Shares/ Preferred Shares/ Warrants	Voting rights (%)	No. of Shares/ Preferred Shares/ Warrants	Voting rights (%)	No. of Shares/ Preferred Shares/ Warrants	Voting rights (%)
Holders of Titan Ordinary Shares										
Mr. Tsoi and his associates	2,758,180,202	50.8%	3,804,379,010	58.8%	4,158,785,854	60.9%	4,158,785,854 ²	53.0%	3,804,379,010	50.7%
Shares held by other connected persons ³	—	—	—	—	—	—	49,520,000	0.6%	49,520,000	0.7%
Warburg Pincus	—	—	—	—	—	—	857,795,031	10.9%	857,795,031	11.4%
Public Shareholders	2,669,260,000	49.2%	2,669,260,000	41.2%	2,669,260,000	39.1%	2,669,260,000	34.0%	2,669,260,000	35.6%
Other Exercised Options ³	—	—	—	—	—	—	117,420,000	1.5%	117,420,000	1.6%
Total Titan Ordinary Shares	5,427,440,202	100.0%	6,473,639,010	100%	6,828,045,854	100.0%	7,852,780,855	100.0%	7,498,374,041	100.0%
Warburg Pincus (WP Securities)	857,795,031		857,795,031		857,795,031		—		—	
Existing Outstanding Options (Connected Persons) ³	49,520,000		49,520,000		49,520,000		—		—	
Existing Outstanding Options (Others) ³	117,420,000		117,420,000		117,420,000		—		—	
Total Shares (Fully Diluted)	6,452,175,233		7,498,374,041		7,852,780,885		7,852,780,885		7,498,374,041	

Notes:

1. The table assumes no change of the share capital structure of the Company, the number of Titan Shares in issue and the holdings of or interests in Titan Shares of the parties identified above between the date of this announcement and Completion.
2. The table assumes the conversion and/or exercise of the WP Securities and options at their initial conversion/ exercise price.
3. As at the date of this announcement, there are outstanding options to subscribe for up to 166,940,000 Titan Ordinary Shares which have been granted under the Company's existing share option scheme, 49,520,000 of which have been granted to directors of Titan Group companies.

The Consideration Shares (including the Earn-out Shares) are to be issued under a specific mandate to be sought from the Titan Independent Shareholders at a special general meeting to be convened for that purpose. Application will be made to the Stock Exchange for the listing of and permission to deal in the Shipyard Ordinary Shares and the Earn-out Shares. The relevant

conditions precedent to Completion have been amended accordingly in the Shipyard Purchase Agreement and references in the Original Shipyard Purchase Agreement to the Shipyard Preferred Shares have been removed.

C. DESPATCH OF CIRCULAR

The Company has despatched to holders of Titan Shares a circular dated 24 September 2007 containing details of, among other things, the Shipyard Purchase Agreement, an accountants' report on Titan Quanzhou Shipyard, pro forma financial information relating to the effects of the transaction as required by the Listing Rules, a property valuation report on the property interests held by the Shipyard Group, a valuation report in respect of the plant and machinery owned by the Shipyard Group, a report on the industry in which the Shipyard Group operates, a letter of advice from the Independent Financial Adviser, a letter from the Independent Board Committee, and the notice of the special general meeting to consider, and if thought fit, approve the transactions under the Shipyard Purchase Agreement.

D. DEFINITIONS

Unless the context otherwise requires or specified below, terms defined in the First Announcement have the same meanings when used in this announcement.

“Consideration Shares” means the Titan Shares to be issued to the Shipyard Vendors as a portion of the Consideration for, and pursuant to the acquisition of the Shipyard Holdco, being the Shipyard Ordinary Shares and the Shipyard Preferred Shares (under the Original Shipyard Purchase Agreement) or the Shipyard Ordinary Shares and the Earn-out Shares (under the Shipyard Purchase Agreement);

“Earn-out Shares” means up to 88,601,711 new Titan Ordinary Shares, 88,601,711 new Titan Ordinary Shares and 177,203,422 new Titan Ordinary Shares to be issued pursuant to the Shipyard Purchase Agreement after the 2008 NPBT, 2009 NPBT and 2010 NPBT can be ascertained;

“First Announcement” means the announcement of the Company dated 3 September 2007;

“Original Shipyard Purchase Agreement” means the agreement dated 3 September 2007 entered into between the Company and the Shipyard Vendors in respect of the purchase of 100% of the issued share capital of Shipyard Holdco, part of the Consideration for which is to be satisfied by the issue of the Shipyard Ordinary Shares and the Shipyard Preferred Shares;

“Shipyard Purchase Agreement” means the Original Shipyard Purchase Agreement as amended and restated in the agreement dated 21 September 2007 entered into between the Company and the Shipyard Vendors further particulars relating to which are described in this announcement.

Unless otherwise specified in this announcement, translation of US\$ into HK\$ is made in this announcement, for illustration only, at the rate of US\$1.00 to HK\$7.80. No representation is made that any amounts in US\$ or HK\$ could have been or could be converted at that rate, any other rate or at all.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company. Holders of the securities of the Company and prospective investors should exercise caution when dealing in the securities of the Company as Completion is subject to the fulfilment of certain conditions precedent.

By order of the Board
Titan Petrochemicals Group Limited
Barry Cheung Chun Yuen, JP
Chief Executive

Hong Kong, 21 September 2007

As at the date of this announcement, the executive Directors are Mr. Tsoi Tin Chun and Mr. Barry Cheung Chun Yuen, *JP*, the non-executive Director is Mr. Ib Fruergaard, and the independent non-executive Directors are Mr. John William Crawford, *JP*, Mr. Abraham Shek Lai Him, *JP* and Miss Maria Tam Wai Chu, *JP*.