

**CHEMOIL ENERGY LIMITED**  
(Company Registration No. 200591)  
(Incorporated in Hong Kong on 9 October 1987)

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**PROPOSED SALE OF OWNERSHIP OF 50% OF IPC (USA), INC**

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**1. INTRODUCTION**

The board of directors ("**Board**") of Chemoil Energy Limited ("**Company**") wishes to announce that its wholly-owned subsidiary, Chemoil Corporation, has today entered into a conditional stock purchase agreement ("**SPA**") with Itochu Corporation ("**Itochu**") and IPC (USA), Inc ("**IPC USA**", and collectively with Chemoil Corporation and Itochu, the "**Parties**"), pursuant to which Chemoil Corporation has agreed to sell, and Itochu has agreed to purchase, 100 shares (the "**Sale Shares**") representing 50% of the issued and outstanding capital stock of IPC USA, for a consideration of US\$20.75 million (as may be adjusted in accordance with an adjustment mechanism, details of which are set out in paragraph 4.2 of this Announcement) (the "**Proposed Sale**").

Upon closing of the Proposed Sale in accordance with the terms and conditions of the SPA ("**Closing**"), Chemoil Corporation will cease to have any interest in IPC USA.

**2. INFORMATION ON IPC USA**

IPC USA is headquartered in the State of California.

IPC USA markets and distributes gasoline and diesel fuel to retail gasoline stations and other customers in over 15 States in mid and western United States. Customers range from small family owned retail stations to major chain stores such as Costco, Kroger, and Safeway as well as public transit, schools, U.S. Army and Air Force exchanges and other government agencies. The company has a large customer base with more than 800 accounts. Inventory is stored in a number of leased facilities across multiple States, largest of which is a million barrel facility in Carson, California.

IPC USA is also engaged in the marketing and sale of jet fuel to commercial airlines in the United States. Jet fuel sales are primarily conducted in California and Arizona.

**3. INFORMATION ON ITOCHU**

Itochu was founded in 1858 and has approximately 130 bases in 68 countries. Itochu engages in domestic trading, import and export and overseas trading of various products such as *inter alia*, textile, information and communications technology, energy, metals, minerals and construction.

#### 4. PRINCIPAL TERMS OF THE SPA

##### 4.1 Consideration

On the terms and subject to the conditions of the SPA, Chemoil Corporation has agreed to sell, and Itochu has agreed to purchase, the Sale Shares for the consideration of US\$20.75 million (as may be adjusted in accordance with the adjustment mechanism, details of which are set out in paragraph 4.2 of this Announcement) (the "**Consideration**").

##### 4.2 Price Adjustment Mechanism

The Consideration of US\$20.75 million will be adjusted by deducting an amount equivalent to 25% of the amount by which (i) the total liabilities of Swain Oil Transport, Inc., a California corporation and the only subsidiary of IPC USA ("**Vista**"), exceeds (ii) the total assets of Vista, each calculated as at Closing and in accordance with the United States generally accepted accounting principles ("**GAAP**") (the "**Vista Adjustment**").

At Closing, Itochu shall pay to Chemoil Corporation an aggregate amount equal to US\$20.75 million less a good faith estimate of the Vista Adjustment by IPC USA (such estimate to be referred to as the "**Estimated Vista Adjustment**").

The Vista Adjustment will be carried out as soon as reasonably practicable but not later than 60 days following the date of Closing ("**Closing Date**"). IPC USA shall prepare and deliver to Chemoil Corporation and Itochu its calculation of the Vista Adjustment and a statement setting forth IPC USA's calculation of the final amount of the Consideration. Any dispute in respect of any amount reflected in IPC USA's calculation of the Vista Adjustment shall be resolved in accordance with the procedures set out in the SPA. In the event the Estimated Vista Adjustment exceeds the Vista Adjustment as determined in accordance with the procedures set out in the SPA, Itochu shall pay to Chemoil Corporation the excess amount (with interest). In the event the Vista Adjustment exceeds the Estimated Vista Adjustment as determined in accordance with the procedures set out in the SPA, Chemoil Corporation shall pay to Itochu the excess amount (with interest).

The Company believes, based on reasonable estimates, that the amount of the Vista Adjustment will not exceed US\$500,000.

##### 4.3 Closing Conditions

- (a) Itochu's obligation to consummate the transactions to be performed by it in connection with Closing is subject to the satisfaction of, *inter alia*, the following conditions:
  - (i) the representations and warranties of each of Chemoil Corporation and IPC USA (as set out in the SPA) shall be true and correct in all material respects at and as of the Closing Date, and each of Chemoil Corporation and IPC USA shall have performed and complied with their respective covenants (as set out in the SPA) in all material respects through Closing;
  - (ii) IPC USA shall have procured all required third-party consents as specified in the SPA;

- (iii) an amendment to a certain petroleum storage lease and service agreement dated 15 September 2005 between IPC USA and Chemoil Terminals Corporation, in form and substance reasonably satisfactory to Itochu ("**CTC Lease Agreement Amendment**"), shall have been duly executed and delivered to Itochu by IPC USA and Chemoil Terminals Corporation; and
  - (iv) a duly executed copy of the lease showing Chemoil Terminals Corporation has entered into an agreement with the Port of Long Beach to lease the real property underlying the Long Beach Chemoil Marine Terminal (as more particularly described in the CTC Lease Agreement Amendment), on terms that assure that Chemoil Terminals Corporation shall be able to perform its obligations in relation to the said Marine Terminal as provided for in the CTC Lease Amendment.
- (b) Chemoil Corporation's obligation to consummate the transactions to be performed by it in connection with the Closing is subject to the satisfaction of, *inter alia*, the following conditions:
  - (i) the representations and warranties of Itochu (as set out in the SPA) shall be true and correct in all material respects at and as of the date of Closing, and Itochu shall have performed and complied with its covenants set out in the SPA in all material respects through Closing; and
  - (ii) Chemoil Corporation having received approval for the Proposed Sale from the shareholders of the Company, including required approvals from the Singapore Exchange Securities Trading Limited.

**Shareholders and investors should note that Closing of the Proposed Sale is subject to, *inter alia*, the fulfilment of the Closing conditions in accordance with the SPA. Accordingly, the Proposed Sale may or may not materialise. Shareholders and investors are therefore advised to exercise caution in their dealings in the shares of the Company.**

## **5. BASIS FOR THE SPA**

The SPA was entered into after arm's length negotiations between Chemoil Corporation and Itochu, taking into account individual commercial interests and objectives of both Chemoil Corporation and Itochu.

The Consideration was determined at arm's length on a willing-buyer willing-seller basis taking into account the book value of the Sale Shares of US\$8.95 million (based on the unaudited accounts of IPC USA for the second quarter and six (6) months ended 30 June 2011).

## 6. RATIONALE AND BENEFITS OF THE PROPOSED SALE

Itochu has been expressing interest to purchase Chemoil Corporation's 50% stake in IPC USA. In the middle of 2011, Itochu reiterated the purchase offer and the Company subsequently decided to explore the opportunity and deliberate on the sale of Chemoil Corporation's 50% stake in IPC USA. There are a number of factors that are being considered in pursuing the sale of the Sale Shares. The historical financial performance of IPC USA has been volatile, including weak results in 2007 and 2008 and again so far in 2011. Because IPC USA is a joint venture company, Chemoil Corporation does not have full control over the decision making and operational management of IPC USA. Having negotiated the possible sale of IPC USA at a price that will allow Chemoil Corporation to recognise a gain on its investment, the Board believes that the Proposed Sale is in the interests of the Company and Chemoil Corporation. Furthermore, the proceeds from the Proposed Sale will provide Chemoil Corporation with additional funds.

## 7. INTENDED USE OF PROCEEDS

The gross proceeds from the Proposed Sale, after deducting the estimated costs and expenses of approximately US\$120,000, will be approximately US\$20.63 million<sup>1</sup>. The Company intends to use the net proceeds for general corporate purposes and for working capital.

## 8. CHAPTER 9 OF THE LISTING MANUAL

### 8.1 Interested Person Transaction

As at the latest practicable date prior to the date of this Announcement, being 14 September 2011 ("**Latest Practicable Date**"), Itochu has a direct interest in 484,729,000 ordinary shares in the capital of the Company ("**Shares**"), representing approximately 37.5% of the issued and paid-up share capital of the Company. Accordingly, Itochu is regarded as a controlling shareholder of the Company under the Listing Manual of the Singapore Exchange Securities Trading Limited ("**Listing Manual**") and is therefore an interested person *vis-à-vis* the Company.

Accordingly, the Proposed Sale constitutes an interested person transaction within the meaning of Chapter 9 of the Listing Manual.

### 8.2 Net Tangible Asset (NTA)

Based on the latest audited accounts of the Company and its subsidiaries (as defined in Section 5 of the Companies Act, Chapter 50 of Singapore) (the "**Chemoil Group**") for the financial year ended 31 December 2010 (being the latest available audited accounts of the Chemoil Group as at the date of the SPA), the audited consolidated NTA of the Chemoil Group was US\$284.38 million. For the purposes of Chapter 9 of the Listing Manual, in the current financial year and until such time as the audited consolidated financial statements of the Chemoil Group for the financial year ended 31 December 2011 are published, five (5) per cent. of the latest audited consolidated NTA of the Chemoil Group would be US\$14.22 million, and three (3) per cent. of the latest audited consolidated NTA of the Chemoil Group would be US\$8.53 million.

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<sup>1</sup> Please note that this illustration does not take into account the price adjustment as contemplated in paragraph 4.2 of this Announcement) and any capital gains tax payable in respect of the Proposed Sale.

### 8.3 Approval of Shareholders

Based on information available to the Company as at the date of this Announcement, the Consideration for the Proposed Sale exceeds five (5) per cent. of the latest audited NTA of the Chemoil Group. Accordingly, on the basis that the Proposed Sale constitutes an "interested person transaction" under Chapter 9 of the Listing Manual, the approval of shareholders of the Company (the "**Shareholders**") for the Proposed Sale will be required in accordance with Chapter 9 of the Listing Manual.

The Company will be convening an extraordinary general meeting of the Shareholders (the "**EGM**") to approve the SPA and the Proposed Sale in due course.

### 8.4 Total value of interested person transactions

As at the date of this Announcement, the total value:

- (a) of all transactions entered into by entities at risk of the Company with Itochu and/or its associates since the beginning of the current financial year (based on the unaudited financial information of the Chemoil Group for the second quarter and six (6) months ended 30 June 2011) is approximately US\$32.63 million; and
- (b) of all interested person transactions (as defined in Chapter 9 of the Listing Manual) since the beginning of the current financial year (based on the unaudited financial information of the Chemoil Group for the second quarter and six (6) months ended 30 June 2011) is approximately US\$1.13 billion.

## 9. **CHAPTER 10 OF THE LISTING MANUAL**

- 9.1 Rule 1006 sets out the computation for relative figures. Where any of the relative figures computed on the bases set out in Rule 1006 exceeds 5% but does not exceed 20%, the acquisition or realization (as the case may be) is classified as a "disclosable transaction", and the issuer must, after the terms of the acquisition or realization have been agreed, make an immediate announcement in relation to the same. Where any of the relative figures computed on the bases set out in Rule 1006 exceeds 20%, the acquisition or realization (as the case may be) is classified as a "major transaction", for which shareholders' approval is required.

The bases for the calculation of the relative figures are based on the unaudited consolidated financial information of the Chemoil Group for the second quarter and six (6) months ended 30 June 2011 and are as follows:

<b><u>Bases under Rule 1006 of the Listing Manual for the Proposed Sale</u></b>	<b><u>Relative Figures</u></b>
1006(a) : <b>Net Asset Value ("<u>NAV</u>") Base</b>  NAV of the assets to be disposed of (i.e. the Sale Shares), compared with the Chemoil Group's NAV.	2.71%
1006(b) : <b>Net Profits Base</b>  Net profits <sup>(1)</sup> attributable to the assets disposed of (i.e. the Sale Shares) amounting to approximately US\$0.53 million, compared with Chemoil Group's net profits <sup>(1)</sup> amounting to approximately US\$36.27 million.	1.45%

<p><b>1006(c) : Market Capitalisation Base</b></p> <p>The Consideration of US\$20.75 million<sup>(2)</sup> received, compared with the Company's market capitalisation of approximately US\$377.94 million (based on the 1-day volume weighted average price of the Shares transacted on 14 September 2011 of U.S. cents 29.50, being the market day preceding the date of the SPA).</p>	<p>5.49%</p>
<p><b>1006(d) : Equity Securities Issued Base</b></p> <p>The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.</p>	<p>Not applicable to a disposal of assets</p>

Note:

- (1) Net profits is defined as profit or loss before income tax, minority interests and extraordinary items.
- (2) Please note that the Consideration used for illustration (being US\$20.75 million) does not take into account the price adjustment as contemplated in paragraph 4.2 of this Announcement).

As the relative figure computed under Rule 1006(c) exceeds 5% but does not exceed 20%, the Proposed Sale constitutes a "disclosable transaction" under Chapter 10 of the Listing Manual.

**9.2 Profit attributable to the Sale Shares**

Based on the unaudited accounts of IPC USA for the second quarter and six (6) months ended 30 June 2011, the net profit attributable to the Sale Shares amounts to approximately US\$0.53 million.

**9.3 Gain / Loss on disposal**

Based on the unaudited accounts of IPC USA for the second quarter and six (6) months ended 30 June 2011, the proforma book value of the Sale Shares is approximately US\$8.95 million. The Consideration of US\$20.75 million<sup>2</sup> that will be received from the Proposed Sale will therefore represent an excess of approximately US\$11.80 million over the proforma book value of the Sale Shares.

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<sup>2</sup> Please note that the Consideration of US\$20.75 million does not take into account the price adjustment as contemplated in paragraph 4.2 of this Announcement.

## 10. FINANCIAL EFFECTS OF THE PROPOSED SALE

The financial effects of the Proposed Sale, as set out below, are for illustrative purposes only. The proforma financial effects are based on (a) the audited financial statements of the Chemoil Group for the financial year ended 31 December 2010 (being the latest available audited accounts of the Chemoil Group as at the Latest Practicable Date), (b) the Consideration<sup>3</sup>, and (c) on the assumptions set out below.

### 10.1 Effect on Net Tangible Assets ("NTA") per Share

Assuming that the Proposed Sale had been completed as at 31 December 2010, the effect of the Proposed Sale on the NTA per Share is as follows:

	<b>Before adjusting for the Proposed Sale</b>	<b>After adjusting for the Proposed Sale</b>
<b>NTA (US\$ millions)</b>	284.38	288.82
<b>NTA per Share (U.S. cents)<sup>(1)</sup></b>	22.15	22.50

Note:

- (1) Based on the number of issued Shares (excluding Shares held in treasury) as at 31 December 2010, being 1,283,862,622 Shares.

### 10.2 Effect on Earnings Per Share (EPS)

Assuming that the Proposed Sale had been completed on 1 January 2010, the effect of the Proposed Sale on the EPS for the financial year ended 31 December 2010 is as follows:

	<b>Before adjusting for the Proposed Sale</b>	<b>After adjusting for the Proposed Sale</b>
<b>Profit / (Loss) attributable to Shareholders (US\$ millions)</b>	(9.49)	(7.55) <sup>(1)(2)</sup>
<b>EPS (U.S. cents)</b>	(0.74)	(0.59) <sup>(1)(2)</sup>

Note:

- (1) Based on the number of issued Shares (excluding Shares held in treasury) as at 31 December 2010, being 1,283,862,622 Shares.
- (2) Please note that this illustration includes capital gains tax of approximately US\$6.72 million which is payable on the Proposed Sale.

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<sup>3</sup> Please note that the Consideration used for illustration (being US\$20.75 million) does not take into account the price adjustment as contemplated in paragraph 4.2 of this Announcement.

## 11. DIRECTORS' INTERESTS AND CONTROLLING SHAREHOLDERS' INTERESTS

Save as disclosed below, none of the Directors or the controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Sale.

### 11.1 Interest of Directors

As stated above in paragraph 8 of this Announcement, the Proposed Sale is conditional upon obtaining Shareholders' approval for the SPA and the Proposed Sale. As Mr. Takashi Yasuda and Mr. Takumi Hiraga are nominee directors of Itochu, each of Mr. Takashi Yasuda and Mr. Takumi Hiraga have abstained from voting on board resolutions relating to the Proposed Sale.

### 11.2 Interest of Controlling Shareholders

Itochu, as an interested person vis-a-vis the Company, will abstain, and will procure that each of its associates will abstain, from voting in respect of each of their shareholdings in the Company on the resolution relating to the Proposed Sale, to be proposed at the EGM.

## 12. INDEPENDENT FINANCIAL ADVISER

12.1 Pursuant to Rule 921(4)(a) of the Listing Manual, the Directors other than Mr. Takashi Yasuda and Mr. Takumi Hiraga (who are nominee directors of Itochu) (the "**Independent Directors**") have appointed KPMG Corporate Finance Pte Ltd ("**IFA**") to provide an opinion on whether the SPA and the Proposed Sale are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

12.2 The IFA will issue an opinion on whether the SPA and the Proposed Sale are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders (the "**IFA Opinion**"). The IFA Opinion will be included in the circular (the "**Circular**") to be despatched to the Shareholders in connection with the Proposed Sale and to convene the EGM to approve the Proposed Sale.

## 13. AUDIT COMMITTEE STATEMENT

The Audit Committee will form its view as to whether the SPA and the Proposed Sale are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders after considering the IFA Opinion referred to in paragraph 12.2 above ("**AC Opinion**"). The AC Opinion will be set out in the Circular.

## 14. CIRCULAR

The Circular containing, *inter alia*, further details of the SPA, the Proposed Sale, the IFA Opinion, the AC Opinion and the notice of EGM to be convened to seek Shareholders' approval for the Proposed Sale, will be despatched to the Shareholders in due course.

**15. DOCUMENTS FOR INSPECTION**

A copy of the SPA is available for inspection at 12/F, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong during normal business hours for a period of three (3) months from the date of this Announcement.

BY ORDER OF THE BOARD

**Mark Jonathan Catton**

Chairman

15 September 2011