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**SOUTH SEA PETROLEUM HOLDINGS LIMITED**

**南海石油控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 076)**

**CLARIFICATION ANNOUNCEMENT**

Reference is made to the announcement dated 3 September 2012 (the “Announcement”). Capitalized terms used herein shall have the same meaning as those defined in the Announcement unless the context requires otherwise.

In the Announcement, the Directors of the Company announce that, on 20 January 2012, the Agreement has been entered into between the Company, through its subsidiary SSGL, and the Partners that the Company subscribed 51% of shares in XLY for a consideration of US\$4,042,000. Further information in relation to the Transaction will be disclosed.

**The Agreement**

Date: 20 January 2012

- Parties: 1. South Sea Graphite (Luo Bei) Co. Ltd. (“SSGL”)  
2. The Parties

The Company confirms that, to the best of the directors’ knowledge, information and belief, having made all reasonable enquiry, the Parties and its ultimate beneficial owner

are third party independent of the Group and connected persons (as defined under the Listing Rules) of the Group.

### **Consideration**

SSGL subscribed 51% of shares in XLY for a consideration of US\$4,042,000, in which US\$1,506,000 was in cash and US\$2,536,000 was fixed assets.

The consideration was determined in proportion of the total capital injection of Renminbi 50,000,000.

The Directors considered the terms of the Transaction are fair and reasonable and in the interests of the shareholders as a whole.

### **Information of XLY**

XLY is a company incorporated in China with its operation in Luo Bei, Heilongjian, China. The main business of XLY is production of graphite. Before the Transaction, XLY conducts no business operations. No sales, revenue or profit was recorded. The fair value of net asset of XLY before the Transaction was approximately US\$3.802 million.

The application for the Transaction has been submitted to the local Chinese authorities on 31 January 2012. The Company is still awaiting for the final approval from local authorities. Upon the final approval is granted, large scale production will be launched.

After the Transaction, XLY became a non-wholly owned subsidiary of the Company. Its results will be consolidated into the Group's (the Company and its subsidiaries) financial statements.

### **Reason for the Transaction**

The Company believes that mineral resources are strategically valuable and worth investment over the long term, and the Company deems it strategically important to ensure sustainable operation and growth of its graphite business. If financing is available on terms acceptable to the Company, the Company intends to acquire additional graphite

mineral resources and production lines, and the Transaction meets the development strategy of the Company.

**Information of SSGL and the Company**

SSGL is a company incorporated in China with main business of production and selling of graphite. The Company was indirectly holding 83% of SSGL at the time of the Transaction. As disclosed in the announcement dated 12 July 2012, the Company, through its wholly owned subsidiary, acquired the entire equity shares of SSGL. SSGL is now a wholly owned subsidiary of the Company.

The principal activities of the Company are investment holding, and through its subsidiaries, the Company develops, explores and produces crude oil and minerals in Indonesia and China, and provides electronics manufacturing services in United Kingdom.

By order of the Board of  
**South Sea Petroleum Holdings Limited**  
Vivian Lam  
*Company Secretary*

Hong Kong, 4 September 2012

*As at the date of this announcement, the board of directors comprises of Mr. Guan Xinmin, Ms. Lee Sin and Zhang Xue being executive directors, Mr. Lu Ren Jie, Mr. Chai Woon Chew and Mr. Ho Choi Chiu being independent non-executive directors.*