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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)

ENTERING INTO A FIVE-YEAR SUPPLY AGREEMENT

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

The Board is pleased to announce that on 20 June 2011, HSSG and RHI entered into a five-year Supply Agreement pursuant to which from 1 June 2011 through 30 June 2016, HSSG is obliged to sell to RHI and RHI is obliged to purchase from HSSG a minimum of 80,000 MT graphite with certain specifications in accordance with the terms and conditions of the Supply Agreement. Deposit of one million Euro Dollars (converted to RMB) will be paid by RHI within ten days after the Supply Agreement is signed.

This announcement is made by South Sea Petroleum Holdings Limited (the “**Company**”) pursuant to Rule 13.09 (1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Supply Agreement

The board of the Company (the “**Board**”) is pleased to announce that on 20 June 2011, Heilongjiang South Sea Graphite Limited (“**HSSG**”), a wholly owned subsidiary of the Company and RHI AG (“**RHI**”), a leading refractories company in the world, entered into a five-year supply agreement (the “**Supply Agreement**”). Under the Supply Agreement, within the five-year contract period from 1 June 2011 through 30 June 2016, HSSG is obligated to sell and RHI is obligated to buy a minimum of 80,000 metric tons (“**MT**”) graphite, or 16,000 MT per contract year.

The price for 20,000 MT, i.e. 25% of the total quantity or 4,000 MT each contract year, shall be fixed at 4,000 Renminbi (“RMB”)/MT, while the price for 60,000 MT, i.e. 75% of the total quantity or 12,000 MT for each contract year, shall be negotiated on a yearly basis based on the then current market price, and if there is any additional graphite order from RHI, the quantity will also be set out in the yearly sub-agreement. For the first contract year commencing from 1 June 2011 to 30 June 2012, RHI and HSSG has signed a yearly sub-agreement that the annual quantity shall be 22,000 MT, and the total selling price is estimated to be RMB113,800,000 (approximately equivalent to HK\$137,100,000). Deposit of one million Euro Dollars (converted to RMB) will be paid by RHI within ten days after the Supply Agreement is signed.

The Supply Agreement was determined after arms’ length negotiation between HSSG and RHI. The Board is of the view that the terms of the Supply Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole. The Board takes the view that the transaction contemplated under the Supply Agreement is of a revenue nature in the ordinary and usual course of business of the Company under Rule 14.04(1)(g) of the Listing Rules.

Information of HSSG and RHI

HSSG is a company incorporated in China and is wholly owned by the Company. It is principally engaged in the exploration of graphite in Lobei at Heilongjiang Province, China.

RHI (German: *Radex-Heraklith Industriebeteiligungs AG*) a Vienna-based Austrian company specializing in producing heat-resistant refractory products for the steel, cement, glass, lime and non-ferrous metals industries.

To the best of the knowledge, information and belief of the Directors and after having made all reasonable enquiries, RHI is an independent third party not connected with the Company and its connected persons (as defined in the Listing Rules).

General

The transaction contemplated under the Supply Agreement does not constitute any notifiable transaction of the Company under Chapter 14 of the Listing Rules nor any connected transaction under Chapter 14A of the Listing Rules.

As the transaction contemplated under the Supply Agreement will have a material influence on the results for the Company and its subsidiaries (the “**Group**”), the Directors consider that it is appropriate to make disclosure in respect of the entering of the Sale and Purchase Agreement by publication of this announcement in order to enable the shareholders of the Company and the public to appraise the position of the Group.

Information 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, and provides electronics manufacturing services.

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

Hong Kong, 20 June 2011

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