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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)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF CERTAIN FIXED ASSETS OF SUBSIDIARIES**

The Board announces that on 16 June 2017, the Vendor and the Purchaser entered into the Agreement. Pursuant to which the Purchaser agreed to acquire the Target Assets at a consideration of RMB50,000,000.

As one or more of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The board of directors (the “Board”) of South Sea Petroleum Holdings Limited (the “Company”) announces that on 16 June 2017, the Vendor and the Purchaser entered into an agreement (the “Agreement”). Pursuant to which the Purchaser agreed to acquire the Target Assets at the consideration of RMB50,000,000 (the “Disposal”).

SALE AND PURCHASE AGREEMENT OF FIXED ASSET (THE “AGREEMENT”)

Date: 16 June 2017

Parties: (i) China Resources Development Group Limited (the “Vendor”), a wholly owned subsidiary of the Company, which is holding 100% of South Sea Graphite (Luobei) Co., Ltd. (“SSG”), and 51% of Luo Bei Xin Long Yuan Graphite Productions Co., Ltd (“XLY”)

(ii) Sino Development Overseas Ltd (the “Purchaser”)

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company (as defined in the Listing Rules).

The Target Assets

The Target Assets comprise all the fixed assets of SSG and 51% that of XLY (the “Target Assets”, including plants, machines, equipment and vehicles etc.,).

The total book value of the Target Assets shown in the unaudited accounts as at 31 May 2017 is approximately USD6,746,809 (approximately equivalent to RMB45,974,051).

Consideration and Payment Terms

Pursuant to the Agreement, the Purchaser shall pay RMB50,000,000 for the Target Assets. The Vendor and the Purchaser shall complete the transfer of the Target Assets within 7 days after the signing of the Agreement, while the Purchaser shall pay up RMB50,000,000 within 7 days after the signing of the Agreement.

Basis of Determining the Consideration

The consideration for the Target Assets was determined after arm’s length negotiations between the Vendor and the Purchaser, with reference to the net book value of the Target Assets as mentioned above. The Board believes the consideration is fair and reasonable.

Delivery of the Target Assets and the Completion of the Agreement

Site inspection of the Target Assets was carried out by the Purchaser to confirm the Target Assets on the asset list to be transferred under the Agreement. The site inspection was done before the signing of the Agreement and the Purchaser agreed to purchase the Target Assets as they were.

GAIN FROM THE DISPOSAL AND USE OF PROCEEDS

Based on the difference between the consideration RMB50,000,000 and the net book value of the Target Assets RMB45,974,051 as mentioned above, the Group is expected to realise a gain of approximately RMB4,025,949 (before taxation) as a result of the Disposal.

The net proceeds from the Disposal will be used as general working capital for future development of the Group.

INFORMATION RELATING TO THE GROUP AND THE PURCHASER

The Company is an investment holding company through its subsidiaries involves in the development and production of crude oil in Indonesia; production and trading of minerals in China and Madagascar; provision of electronic manufacturing services in the United Kingdom, and in China trading, and multi-media production.

The Purchaser mainly through its subsidiary to engage in graphite business in China.

REASONS FOR THE DISPOSAL

Since the Company established subsidiaries which principally engaged in graphite business, a review of such business shown that the supply of graphite ore for the business lines of the Target Assets was in severe deficiency, production was seriously affected and the abandoned production lines depreciated year by year. As such, the Company should set up production lines in Madagascar wherein the graphite ore supply is much better both in quantity and quality than in Luobei, China. The Disposal allows the Company focus on the more productive operation and make good use of its resources. Accordingly, the Directors consider that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable, which is on normal commercial terms and in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

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

Hong Kong, 16 June 2017

As at the date of this announcement, the board of directors comprises of Mr. Feng Zhong Yun and Ms. Zhang Xue being executive directors; Mr. Han Zhi Jun, Mr. Lu Ren Jie, Mr. Chai Woon Chew and Mr. Ng Lai Po being independent non-executive directors.