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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)

BUSINESS UPDATE

The board of directors of South Sea Petroleum Holdings Limited is pleased to inform the market of the latest business development of the Group.

This is an announcement made by South Sea Petroleum Holdings Limited (the “Company”) for keeping its shareholders and potential investors informed of the latest business development of the Company and its subsidiaries (together, the “Group”).

The board of directors of the Company is pleased to inform the market that on 23 May 2016, an agreement was entered into between Global Select Limited (“GSL”), a wholly owned subsidiary of the Company and the independent third party buyer (the “Buyer”), both parties agree:

1. the Buyer undertakes to GSL that in the next twenty (20) years the Buyer shall buy large flake graphite ore of Madagascar (“Graphite Ore”) from GSL ONLY;
2. the Buyer undertakes the first batch of irreversible purchase order: the Buyer shall buy in aggregate 80,000,000 tons Graphite Ore from GSL;
3. the Buyer shall pay GSL HK\$10,000,000 non-refundable earnest money, until the Buyer complete the purchase of 80,000,000 tons Graphite Ore and settle all the payment;
4. the Buyer shall give sixty days (60) days prior notice to GSL before delivery of goods. The Buyer shall settle the relevant purchase price within sixty days (60) after delivery;
5. without prior consent from the other side, no party shall leak out any information of the agreement to any third party related to business secret, business plans, operations, financial information, information technology, etc.; however, legal responsibilities under laws and rules or mutually agreed covenants are excluded.

In addition to the above, reference is made to the Inside Information disclosed in the announcement dated 16 May 2016 that, GSL and Madagascar Graphite Limited (“MGL”) had entered into an exclusive Graphite Ore Supply Agreement. On 23 May 2016 GSL and MGL signed a

Supplementary Timely Supply Agreement that, 80,000,000 ton Graphite Ore will be supplied in the following manners:

1. MGL undertakes to supply 80,000,000 tons quality Graphite Ore in a timely manner to GSL or to GSL's customers;
2. GSL will pay 90% of the deposit for goods to MGL within six months after GSL's confirmation of order; GSL will settle payment within ninety (90) days after delivery.

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

Hong Kong, 23 May 2016

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.