

SSP  **南海石油**
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
UNUSUAL PRICE AND TRADING VOLUME MOVEMENTS
AND
RESUMPTION OF TRADING

The directors of the Company is pleased to announce that on 7 April 2005, Global Select Limited, a wholly owned subsidiary of the Company, entered into a share purchase agreement with three individual Indonesia citizens, who in aggregate owned 70% interest of PT. Cahaya Batu Raja Blok, to acquire from them a 65% interest in the issued share capital of PT. Cahaya Batu Raja Blok for an aggregate cash consideration of US\$5,800,000.

PT. Cahaya Batu Raja Blok is a company incorporated in Indonesia. The sole asset of PT. Cahaya Batu Raja Blok is the Production Contract signed with the Department of Petroleum (BPMIGAS) of the Indonesian government. Pursuant to the Production Contract, PT. Cahaya Batu Raja Blok will explore and develop petroleum and natural gas in Air Komering Block, an area consists of approximately 4,110 square kilometers located in Southern Sumatra, Indonesia for 30 years.

The Acquisition constitutes a discloseable transaction of the Company under the Listing Rule. A circular containing detailed information of the Acquisition will be dispatched to Shareholders as soon as practicable.

The directors of the Company have noted the recent increase in the price and the trading volume of the shares of the Company and wish to state that they are not aware of any reasons for such unusual movements in price and trading volume save for the matters disclosed in this announcement.

Save as disclosed above, the directors of the Company confirm that there are no negotiations or agreements relating to intended acquisitions or realizations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which may be of a price-sensitive nature.

Made by the order of the Board of South Sea Petroleum Holdings Limited, the directors of which individually and jointly accept responsibility for the accuracy of this statement.

Trading in the shares of the Company has been suspended at the request of the Company with effect from 2:30 p.m. on 7 April 2005 pending the release of this announcement. An application has been made to the Stock Exchange for resumption in trading of the shares with effect from 9:30 a.m. on 14 April 2005.

THE AGREEMENT DATED 7 APRIL 2005

Parties to the Agreement:

Purchaser: Global Select Limited, a company incorporated in the British Virgin Islands with limited liability, is a wholly-owned subsidiary of the Company

Vendors: Three individual shareholders of PT. Cahaya Batu Raja Blok, a company incorporated in Indonesia with limited liability. The three shareholders are individual Indonesia citizen who in aggregate owned 70% interest of PT. Cahaya Batu Raja Blok. The Company confirms that, to the best of the directors' knowledge, information and belief having made all reasonable enquiries, the Vendors are three parties independent of the Group and connected person of the Group (as defined under the Listing Rules).

Assets acquired:

65% of the issued share capital of PT. Cahaya Batu Raja Blok. PT. Cahaya Batu Raja Blok will be treated as a non wholly-owned subsidiary of the Company in the Company's financial statements.

Value of assets acquired:

PT. Cahaya Batu Raja Blok is newly established for signing the Production Contract, therefore PT. Cahaya Batu Raja Blok has about zero book value besides this Production Contract. In order to assess the value of PT. Cahaya Batu Raja Blok (i.e. the value of the Production Contract), the Vendors and the Purchaser agreed to use the estimated profit (which was estimated by the technical terms of both parties) for 30 years from oil production in the contract area as the estimated value of PT. Cahaya Batu Raja Blok. The calculation is as follows:

20% of the estimated energy reserves of 250,000,000 barrels of oil in the contract area was taken as the base of the calculation for consideration. Estimating the price of oil is US\$30 per barrel (assuming US\$30 will be the average selling price of oil for the next thirty years), the total oil production will be US\$1,500,000,000, where 0.6% of it, US\$9,000,000, will be the net profit after deduction of cost, tax, and other expenses. Therefore, US\$9,000,000 is the estimated value of PT. Cahaya Batu Raja Blok (please be noted that the estimated data of energy reserves was furnished by the Department of Petroleum (BPMIGAS) of the Indonesian government to PT. Cahaya Batu Raja Blok for reference, and is yet validated, through exploration, by the technical team of the Company or a professional third party hired by the Company).

Consideration:

Based on the estimated value of US\$9,000,000 of PT. Cahaya Batu Raja Blok as calculated above, the Vendors and the Purchaser agreed to use this estimated value as the base for consideration. Therefore the aggregate consideration for 65% interest of PT. Cahaya Batu Raja Blok will be US\$5,800,000 (approximately HK\$45,124,000).

The consideration was arrived at after arm's length negotiation between the Vendor and the Purchaser. Though the book value of PT. Cahaya Batu Raja Blok itself is about zero, considering the opportunities offered by the Production Contract, the Board is of the view that the price of US\$5,800,000 for 65% of PT. Cahaya Batu Raja Blok is fair and reasonable.

The cash consideration will be paid from internal sources of the Company.

Condition:

Except paying the consideration of US\$5,800,000 within one year, no other conditions were set in the Agreement. Save for US\$5,800,000, there is no other any loan or capital contribution commitment under the Agreement.

Payment Schedule of the US\$5,800,000 Cash Consideration:

1. US\$400,000 upon signing of Agreement;
2. US\$400,000 within three months after signing the Agreement;
3. US\$1,200,000 no later than six months after signing the Agreement
4. US\$1,200,000 no later than nine months after signing the Agreement
5. US\$2,600,000 no later than twelve months after signing the Agreement

Funding of the Operation upon Acquisition

The expected operation costs within the contract area for the first two years will be US\$5,300,000 and US\$12,000,000 for the next three years.

The Company will bear the estimated cost in proportion to its 65% shareholding in PT. Cahaya Batu Raja Blok. The source of funding of the first two years of operation will come from working capital of the Company; from the third year of operation onward, funding will come from revenue of oil production.

INFORMATION OF PT. CAHAYA BATU RAJA BLOK

PT. Cahaya Batu Raja Blok is a company incorporated in Indonesia on 2 August 2004. The sole asset of PT. Cahaya Batu Raja Blok is the Production Contract signed with the Department of Petroleum (BPMIGAS) of the Indonesian government, to conduct petroleum and natural gas operations. Before Acquisition, there were totaling five individual Indonesian holding 100% interest of PT. Cahaya Batu Raja Blok, where three of them were in aggregate holding 70% interest of PT. Cahaya Batu Raja Blok. Global Select Limited acquired 65% from these three individual and one of them is still holding 5% after Acquisition. The remaining 30% is being held by the other two individual shareholders are third parties independent of the Group and connected person of the Group (as defined under the Listing Rules).

Production Contract:

Contract Term: 30 years; from 12 December 2004 to 11 December 2034

Contract Area: Air Komering Block, an area consists of approximately 4,110 square kilometers located in Southern Sumatra, Indonesia.

Estimated Energy Reserves within Contract Area: Approximately 250,000,000 barrels oil and 100,000,000,000 cubic feet gas (please be noted that the estimated data was furnished by the Department of Petroleum (BPMIGAS) of the Indonesian government to PT. Cahaya Batu Raja Blok for reference, and is yet validated, through exploration, by the technical team of the Company or a professional third party hired by the Company)

REASONS FOR THE ACQUISITION

The Production Contract is in line with the Company's corporate strategy to increase its investment in the energy-related industries and to actively seek investment opportunities in these industries. Considering the increasing demand in petroleum and the climbing oil price, while comparing the consideration of the Acquisition and the business potential offered by the Production Contract, the Board is of the view that the Acquisition is in the interest of Shareholders and the Company. Furthermore, the original 15-year oil exploration contract signed between the Company and Pertamina, a state-owned oil company of Indonesia, in Limau Oilfield, South Sumatra, Indonesia was expired on 31 December 2004. The Company has been negotiating with Pertamina for extension or signing of new contract for years, but the Company cannot guarantee it will be granted or when it will be granted in the near future. Therefore, the Board views that the Production Contract is a new opportunity for the Company. However, Shareholders and investors should always be cautious of the potential risk involved.

GENERAL

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

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The directors of the Company have noted the recent increase in the price and the trading volume of the shares of the Company and wish to state that they are not aware of any reasons for such unusual movements in price and trading volume save for the matters disclosed in this announcement.

Save as disclosed above, the directors of the Company confirm that there are no negotiations or agreements relating to intended acquisitions or realizations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which may be of a price-sensitive nature.

Made by the order of the Board of South Sea Petroleum Holdings Limited, the directors of which individually and jointly accept responsibility for the accuracy of this statement.

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DEFINITION

"Acquisition"	The acquisition of 65% interest of PT. Cahaya Batu Raja Blok for US\$5,800,000 by Global Select Limited, the wholly owned subsidiary of the Company
"Agreement"	share purchase agreement entered into between Global Select Limited and the shareholders of PT. Cahaya Batu Raja Blok on 7 April 2005 to acquire 65% of the issued share capital of PT. Cahaya Batu Raja Blok
"Company"	South Sea Petroleum Holdings Limited, a company incorporated in Hong Kong with limited liability and the securities of which are listed on the Stock Exchange
"Board"	the board of directors of the Company
"Group"	the Company and its subsidiaries
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Production Contract"	Production Sharing Contract entered into between PT. Cahaya Batu Raja Blok and the Department of Petroleum (BPMIGAS) of the Indonesian government for oil and natural gas exploration at Air Komering Block in Southern Sumatra, Indonesia
"Shareholder(s)"	holder(s) of the existing shares of the Company
"Stock Exchange"	the Stock Exchange of Hong Kong Limited

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

Hong Kong, 13 April 2005

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