

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:
ACQUISITION OF A PRC COMPANY**

Reference is made to the discloseable transaction in relation to the establishment of a JVC by Global Select, a wholly-owned subsidiary of the Company and the Partner, as disclosed in the Announcement dated 17 April 2007.

On 11 June 2007, the JVC and the Vendor entered into an Acquisition Agreement. The consideration for the acquisition of 95% equity interest in the PRC Company is HK\$1,000,000 to be paid to the Vendors, and an additional HK\$99,000,000 (of which HK\$59,000,000 to be paid in 2007, and another HK\$40,000,000 to be paid in 2008) will be contributed to the PRC Company to pay for the exploration and mining rights and costs of the Land and related expenses.

The PRC Company engaged two firms, SRK Consulting, a European based valuer, and BMI Appraisals, to conduct an evaluation of the mineral deposits on or under the Land. According to their valuation reports dated 29 May 2007 and 8 June 2007 respectively, the resources and estimated tonnage found on or under the Land mainly include: copper (2,570,216 tons), graphite (90,376,000 tons), lead-zinc (67,685 tons), sulphur and silver. The gross sales revenue for the above minerals is estimated to be RMB18,496,041,400. After deducting the mining and operating costs, government fees, taxes and unforeseeable expenses, the net market value of the mineral deposits on or under the Land as at 30 April 2007 was RMB3,347,000,000. The results in the valuation reports do not serve as a profit forecast to the Shareholders and/or any investors. The consideration for the Acquisition was not determined by the results reflected in the valuation reports, but was determined by the value of the paid up capital of the PRC Company.

The results of the valuation reports are intended to serve as a reference to the Directors and the Shareholders at the extraordinary general meeting.

The main activity of the Company is exploration and production of crude oil, under the Listing Rules 18.07, the exploration for natural minerals is an extension to its existing activities. Pursuant to the Listing Rules 18.07(2), the Acquisition is conditional on approval by the Shareholders in general meeting. In this connection, an extraordinary general meeting will be held for the Shareholders to consider and, if thought fit, approve the Acquisition Agreement. A circular containing detailed information, including information required to be disclosed under the Listing Rules 18.09, of the Acquisition Agreement and the notice of the extraordinary general meeting will be dispatched to the Shareholders as soon as practicable.

Trading in the Shares of the Company has been suspended at the request of the Company with effect from 9:30 a.m. on 12 June 2007 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 15 June 2007.

Reference is made to the discloseable transaction in relation to the establishment of a JVC by Global Select, a wholly-owned subsidiary of the Company and the Partner, as disclosed in the Announcement dated 17 April 2007. Unless the context herein otherwise requires, terms used in this announcement shall have the same meanings as those in the Announcement.

THE ACQUISITION AGREEMENT

Date 11 June 2007

Parties Mega Resources and the Vendors

1. Mega Resources, a JVC set up by Global Select and the Partner;
2. The Vendors: Yin Xiao Jing and Yin An Quan

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and their respective associates are third parties independent of the Company and its subsidiaries and connected person (as defined under the Listing Rules) of the Company.

Assets acquired

Chengdu An Xiao Mining Company Limited

BACKGROUND

The PRC Company is a company established in the People's Republic of China to conduct the exploration, mining and exploitation of minerals on or under the Land located at Sandawan in Szechuan, the PRC (四川省攀枝花市三大灣區), consisting of 2.89 km², wherein mines of multi-minerals are found.

The PRC Company was incorporated in March of 2007. Yin An Quan is holding 80% equity interest in the PRC Company, whereas Yin Xiao Jing is holding 20%. In the Acquisition, Yin An Quan will sell 76% of share capital and Yin Xiao Jing will sell 19% interest in the PRC Company to the JVC. After the Acquisition, both of Yin Xiao Jing and Yin An Quan will retain the remaining 5% interest in the PRC Company. As at the date of this announcement, the PRC Company has neither prepared any financial statements nor have any past record of minerals mined. The PRC Company does not hold any subsidiaries and/or associates. The PRC Company has entered into an agreement with the owner of the Mining Rights, Jiu Feng Mining Company Limited, which, including its beneficial owners and their respective associates, are not connected person to the Company as defined in the Listing Rules, to transfer the Mining Rights to the PRC Company within six months after the completion of the Acquisition. The PRC Company will be treated as a subsidiary of the Company when the Acquisition is completed.

According to the valuation reports prepared by SRK Consulting, a European based valuer, and BMI Appraisals dated 29 May 2007 and 8 June 2007 respectively, the mineral deposits and estimated tonnage found on or under the Land mainly include: copper (2,570,216 tons), graphite (90,376,000 tons), lead-zinc (67,685 tons), sulphur and silver. The gross sales revenue for the above minerals is estimated to be RMB18,496,041,400. After deducting the mining and operating costs, government fees, taxes and unforeseeable expenses, the net market value of the mineral deposits on or under the Land as at 30 April 2007 was RMB3,347,000,000. The results in the valuation reports do not serve as a profit forecast to the Shareholders and/or any investors. The consideration for the Acquisition was not determined by the results reflected in the valuation reports, but was determined by the value of the paid up capital of the PRC Company. The results of the valuation reports are intended to serve as a reference to the Directors and the Shareholders at the extraordinary general meeting.

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors, the Partner and the owner of the Mining Rights, and their respective associates are third parties independent of the Company and its subsidiaries and connected person (as defined under the Listing Rules) of the Company.

Pursuant to the JV Agreement, Global Select and the Partner has established a JVC in Hong Kong with Global Select holding 70% and the Partner holding 30% of the share capital of the JVC.

CONSIDERATION

HK\$1,000,000 is the consideration paid to the Vendors for the acquisition of 95% equity interest in the PRC Company, and an additional HK\$99,000,000 (of which HK\$59,000,000 to be paid in 2007, and another HK\$40,000,000 to be paid in 2008) will be contributed to the PRC Company to pay for the exploration and mining rights and costs of the Land and related expenses.

The payment schedule is as follow:

- (1) HK\$10,000,000 (to be paid within 30 days after obtaining approval from the Shareholders at the extraordinary general meeting of the Acquisition Agreement)
 - (a) HK\$1,000,000 Consideration to be paid to the Vendors
 - (b) HK\$2,100,000 Preparation work for the transfer of the Mining Rights
 - (c) HK\$6,900,000 To be paid to Jiu Feng Mining Company Limited, the owner of the Mining Rights, as initial deposit
- (2) HK\$50,000,000 (to be paid after the transfer of the Mining Rights)
 - (a) HK\$31,100,000 To be paid to Jiu Feng Mining Company Limited for the transfer of the Mining Rights
 - (b) HK\$18,900,000 For further exploration
- (3) HK\$40,000,000 (to be paid before 30 June 2008) for further exploration

CONDITIONS PRECEDENT

The Acquisition Agreement is conditional upon:

- (a) the regulatory body of the PRC government approving the PRC Company be transferred to a sino-foreign equity joint venture;

- (b) the regulatory body of the PRC government approving the transfer of the exploration and mining rights be transferred to the PRC Company;

- (c) the Shareholders approving the Acquisition Agreement at the extraordinary general meeting.

REASONS FOR THE ACQUISITION AGREEMENT

As a consequence of the worldwide industrialization, long-term demand for natural minerals will remain strong, especially in PRC and in other developing countries. After reviewing the valuation reports prepared by SRK Consulting and BMI Appraisals, the Directors (including independent non-executive directors) consider the balance of risk and business opportunities, the terms of the Acquisition Agreement are fair and reasonable and are on normal commercial terms, and which are in the interests of the Company and its Shareholders as a whole. Therefore, the entering into the Acquisition Agreement will be beneficial to the Company and its Shareholders as a whole.

FUNDING OF THE ACQUISITION

HK\$100,000,000 will be paid from the JVC's HK\$100,000,000 registered capital, which will be contributed from part of the US\$200,000,000 convertible debentures as disclosed in the announcement of 4 June 2007.

GENERAL

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

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Trading in the Shares of the Company has been suspended at the request of the Company with effect from 9:30 a.m. on 12 June 2007 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 15 June 2007.

DEFINITION

"Acquisition"	the acquisition of the PRC company by the JVC on 11 June 2007
"Acquisition Agreement"	the agreement dated 11 June 2007 entered into by and between Mega Resources and the Vendors to acquire 95% equity interest in the PRC Company
"Announcement"	announcement dated 17 April 2007 in relation to the establishment of a JVC
"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
"Directors"	the board of directors of the Company
"Global Select"	Global Select Limited, a wholly owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"JV Agreement"	a joint venture agreement of 16 April 2007 entered into between Global Select and the Partner
"JVC"/"Mega Resources"	Mega Resources International Enterprises Limited, a joint venture company established in Hong Kong by Global Select and the Partner
"Land"	the piece of land located at Sandawan, Szechuan, PRC (四川省攀枝花市三大灣區), consisting of 2.89 km ²
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Mining Rights"	the exploration and mining rights with license no.5100000620272 issued by Land and Resources Bureau of Sezechuan Province, the PRC, including the exploration rights of copper, graphite, lead/zinc, sulphur and silver, at Sandawan, Szechuan, PRC (四川省攀枝花市三大灣區), consisting of 2.89 km ²
"Partner"	New Fortress Capital Limited, a company incorporated in the British Virgin Islands, and Hara Intelligence Systems Co. Limited, a company incorporated in Samoa
"PRC Company"	Chengdu An Xiao Mining Company Limited (成都安曉礦業有限公司), a company incorporated in the People's Republic of China
"RMB"	Renminbi (人民幣), the legal currency of the PRC
"Shareholder(s)"	holder(s) of the existing shares of the Company
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Vendors"	Yin Xiao Jing and Yin An Quan

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

Hong Kong, 14 June 2007

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