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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: 76)

ANNOUNCEMENT

TERMINATION OF VERY SUBSTANTIAL DISPOSAL

Reference is made to the announcement of the Company dated 8 September 2006 in respect of the very substantial disposal of 48% equity interest in South Sea Petroleum (Philippines) Corporation and the subsequent announcements dated 28 September 2006 and 12 October 2006 in respect of delay in despatch of the circular.

Since the completion of the Transaction has been further delayed, the Investor has served a written notice to the Company on 19 October 2006 to terminate the Agreement. The only reason stated in the written notice for terminating the Agreement was the prolonged delay of completion. The Investor agreed to release all parties to the Agreement from all liabilities and obligations in relation to the Agreement following the termination of the Agreement.

Reference is made to the announcement of the Company dated 8 September 2006 (the "Announcement") in respect of the very substantial disposal of 48% equity interest in South Sea Petroleum (Philippines) Corporation, a subsidiary of the Company, for an aggregate of US\$36,000,000 consideration, and the subsequent announcements dated 28 September 2006 and 12 October 2006 in respect of delay in despatch of the circular. Unless the context herein otherwise requires, terms used in this announcement shall have the same meaning as defined in the Announcement.

Under Rule 14.38 of the Listing Rules of the Stock Exchange, the Company is required to despatch the circular to Shareholders within 21 days after publication of the Announcement, that is, on or before 3 October 2006, and a Shareholders' meeting could be held for Shareholders to consider and approve the Transaction in mid October of 2006. However, under the current situation, the earliest date scheduled for the Shareholders' meeting would be in mid December of 2006.

Since the completion of the Transaction has been further delayed, the Investor has served a written notice to the Company on 19 October 2006 to terminate the Agreement with immediate effect. The only reason stated in the written notice for terminating the Agreement was the prolonged delay of completion. There is no penalty clauses specified in the Agreement in terms of terminating the Agreement prior to the approval of the Agreement on the Shareholders' meeting. The Investor agreed to release all parties to the Agreement from all liabilities and obligations in relation to the Agreement following the termination of the Agreement. The Company has agreed on the termination of the Agreement.

The termination of the Agreement would have no material effect on the current financial position of the Group. While the Company continuously holding the intention of welcoming new investors, there is no negotiations under process at the current stage.

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

Hong Kong, 19 October 2006

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.