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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: 076)**

**ANNOUNCEMENT**

The directors of South Sea Petroleum Holdings Limited (the "Company") is pleased to announce that on 16 June 2007, Seaunion Development Limited ("Seaunion Development"), a subsidiary of the Company, has entered into a legally binding Strategic Alliance Agreement with PT Pertamina (Persero) ("Pertamina"), an Indonesian state-owned oil company, to form a strategic alliance for the exploration and/or production of crude oil in the Limau Oilfields in South Sumatra, Indonesia, in the form of a 50-50 joint venture company. The initial term for the cooperation shall be 15 years, which can be extended by mutual agreement subject to evaluation. Currently, the production capacity of the Limau Oilfields is about 7,000 barrels of crude oil per day.

**BACKGROUND**

**Expiry of the EOR Contract**

In 1994, the Company acquired Global Select Limited, which, through Seaunion Energy (Limau) Limited ("Seaunion Energy"), was engaged in the business of exploration and production of crude oil in the Limau Oilfields, South Sumatra, Indonesia, under a 15-year Enhanced Oil Recovery Contract (the "EOR Contract"). The EOR Contract expired in July 2004. The Company has been negotiating with Pertamina to convert the EOR Contract into a new contract to comply with Indonesia's new oil law.

**Head of Agreement**

On 8 May 2004, Seaunion Energy entered into a Head of Agreement with Pertamina to set forth the basic principles and outlines for the continuation of cooperation between the two parties on the Limau Oilfields after the expiration of the EOR Contract through the creation of a new partnership. However, nothing concrete was materialized.

**STRATEGIC ALLIANCE OF AGREEMENT**

On 16 June 2007, Seaunion Development and Pertamina (the "Parties") entered into a legally binding Strategic Alliance Agreement, which contains:

- (a) a joint venture company ("JVC") to be set up in Indonesia under a Joint Venture Agreement to provide terms and conditions for the Parties as a cooperation vehicle, in which each of Seaunion Development and Pertamina will hold 50% share capital of the JVC.
- (b) a Shareholder Agreement ("SHA") to govern the rights and obligations of the Parties in connection with shareholding and set up the rules and policies to carry out the JVC.
- (c) an Operation Cooperation Agreement ("OCA") to govern the cooperation between the JVC and other holders in the Pertamina working area. The initial term of the OCA shall be 15 years, which can be extended by mutual agreement subject to evaluation.

The Company will make further announcements should there be any information discloseable under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

By order of the Board  
**Lam Lee Yu**  
*Company Secretary*

Hong Kong, 18 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 and Mr. Chai Woon Chew being independent non-executive directors.*