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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)

DISCLOSEABLE TRANSACTION

The directors of the Company are pleased to announce that on 27 September 2005, Global Select Limited, a wholly owned subsidiary of the Company, entered into a share purchase agreement with Lion Energy Limited, an Australian listed company, to acquire 100% equity interests in each of its subsidiaries, Kalrez Petroleum (Seram) Limited and Indonesia Prima Energy Services Limited for an aggregate cash consideration of US\$4,850,000.

Kalrez Petroleum (Seram) Limited is engaged in the business of exploitation and production of crude oil in Bula Block Oilfields on the island of Seram in Indonesia. Kalrez Petroleum (Seram) Limited holds 100% interest in Bula Petroleum Production Sharing Contract that was entered into with BP MIGAS, Department of Petroleum of Indonesia, on 22 May 2000. The Bula Petroleum Production Sharing Contract will be expired in 2019. Kalrez Petroleum (Seram) Limited is the operator of the Bula Block Oilfields. Currently, the Bula Block Oilfields produced crude oil at a rate of approximately 300 barrels per day.

Indonesian Prima Energy Services Limited, which through its wholly owned subsidiary PT Prima Jasa Energi, an Indonesian corporation, owns and operates a drilling rig and other heavy equipment in Indonesia for the exploitation and production of crude oil.

As the relevant percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Circular containing details of the Acquisition will be dispatched to the Shareholders as soon as practicable.

THE AGREEMENT DATED 27 SEPTEMBER 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

Vendor: Lion Energy Limited, an Australian company with its shares listing on the Australian Stock Exchange Limited. The Company confirms that, to the best of the directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is third party independent of the Group and connected person of the Group (as defined under the Listing Rules).

Assets acquired:

100% equity interests in each of KPS and IPE. There is no restriction which applies to the subsequent sale of such equity interests.

Value of assets acquired:**1. KPS**

The main assets of KPS is its 100% ownership of the Bula Petroleum Production Sharing Contract which was entered into with BP MIGAS, Department of Petroleum of Indonesia. Under the contract, KPS operates the development and production of the Bula Block Oilfields. The Bula Block Oilfields have produced in excess of 20 million barrels of oil over the years, and currently produce approximately 300 barrels of oil per day. As of 30 June 2005, the net asset value (fixed assets are mainly office equipments) of KPS was US\$0.27 million. For the year ended 31 December 2003, the audited net loss of KPS was US\$0.33 million. For the year ended 31 December 2004, the audited net profits of KPS was US\$0.63 million. No tax arose and no extraordinary items were recorded in these two financial years.

2. IPE

IPE holds all the equity interests of PT Prima Jasa Energi, which owns and operates a drilling rig and heavy equipment in Indonesia for the exploitation and production of crude oil. As of 30 June 2005, the net asset value (fixed assets are mainly transportation equipment, building and containers) of IPE was US\$0.47 million. For the year ended 31 December 2003, the audited net loss of IPE was US\$0.19 million. For the year ended 31 December 2004, the audited net loss of IPE was US\$0.608 million. No tax and no extraordinary items arose from these two financial years.

Consideration:

The total consideration for the Acquisition is US\$4,850,000, which was arrived at after arm's length negotiation between the Vendor and the Purchaser.

Based on the aggregate total revenue of US\$3.67 million and US\$4.96 million of KPS and IPE for the year ended 31 December 2003 and for the year ended 31 December 2004 respectively, and the production of Bula Block Oilfields (currently 300 barrels per day), the directors are of the view that the consideration of US\$4,850,000 is reasonable.

The Company has been actively seeking new investment opportunities in the oil and natural gas industry in Asia. Considering the climbing oil price and the strong demand for crude oil worldwide, the Company is of the view that the consideration of US\$4,850,000 for the acquisition of KPS and IPE is fair and reasonable.

The cash consideration will be paid either from internal sources of the Company or from fund to be raised in the market.

Payment Schedule of the US\$4,850,000 Cash Consideration:

1. US\$450,000 upon execution of the Agreement;
2. US\$4,050,000 will be paid upon the satisfaction of the Company's due diligence ("Completion Day");

3. the remaining US\$350,000 will be paid on or before seven (7) months after the Completion Day.

Condition:

Pursuant to the Agreement, the Acquisition is unconditional and no conditions precedent was set, and there were no loans or other capital commitments. Completion of the Acquisition is not subject to any approval of any authorities in Hong Kong, Indonesia or Australia.

Funding of the Operation upon Acquisition

KPS is expected to fund its operations from the revenues it generates from oil production and IPE is expected to fund its operations from the revenues it generates from the drilling services it provides.

REASONS FOR THE ACQUISITION

The acquisition of KPS and IPE 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 Bula PSC, the Board is of the view that the terms of the Acquisition are fair and reasonable, and the Acquisition is in the interest of Shareholders and the Company as a whole.

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 Philippines, and provides electronics manufacturing services in the United Kingdom.

Lion Energy Limited is an Australian listed company which mainly engages in producing crude oil in Indonesia.

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Circular containing details of the Acquisition will be dispatched to the Shareholders as soon as practicable.

DEFINITION

“Acquisition”	The acquisition of 100% equity interests in each of Kalrez Petroleum (Seram) Limited and Indonesia Prima Energy Services Limited for US\$4,850,000 by Global Select Limited, the wholly owned subsidiary of the Company
“Agreement”	share purchase agreement entered into between Global Select Limited and Lion Energy Limited to acquire 100% equity interests in each of Kalrez Petroleum (Seram) Limited and Indonesia Prima Energy Services Limited
“BPMIGAS”	Department of Petroleum of Indonesia

“Board”	the board of directors of the Company
“Bula PSC”	Bula Petroleum Production Sharing Contract entered into between KPS and BPMIGAS, Department of Petroleum of Indonesia, on 22 May 2000 for oil and natural gas exploration in Bula Block Oilfields in Indonesia. The Bula Petroleum Production Sharing Contract will be expired in 2019
“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
“Group”	the Company and its subsidiaries
“IPE”	Indonesia Prima Energy Services Limited, a corporation limited by shares duly constituted under the laws of the Republic of Mauritius
“KPS”	Kalrez Petroleum (Seram) Limited, a corporation limited by shares duly constituted under the laws of the Republic of Mauritius
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“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, 7 November 2005

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.

“Please also refer to the published version of this announcement in The Standard”