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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)**

**PROPOSED OPEN OFFER OF NEW SHARES ON THE BASIS OF  
ONE OFFER SHARE FOR EVERY TWO EXISTING  
SHARES HELD ON THE RECORD DATE AND PAYABLE  
IN FULL ON ACCEPTANCE  
AND  
RESUMPTION OF TRADING**

**Financial adviser to South Sea Petroleum Holdings Limited**



**KINGSTON CORPORATE FINANCE LIMITED**

**Underwriters to the Open Offer**



**Palmsville Equities Inc.**

**KINGSTON SECURITIES LIMITED**

## **PROPOSED OPEN OFFER**

The Company proposes to raise approximately HK\$65.04 million, before expenses, by issuing 325,229,529 Offer Shares at a price of HK\$0.20 per Offer Share by way of the Open Offer of new Shares, on the basis of one Offer Shares for every two existing Shares held on the Record Date and payable in full on acceptance. Qualifying Shareholders are entitled to apply for excess Offer Shares not taken up in excess of their respective entitlements under the Open Offer.

The Open Offer is only available to the Qualifying Shareholders. To qualify for the Open Offer, all transfers of Shares must be lodged for registration with the Registrar by 4:00 p.m. on Tuesday, 14 February 2006 and the Shareholders are not Prohibited Shareholders. The register of members is expected to be closed from Wednesday, 15 February 2006 to Monday, 20 February 2006 (both dates inclusive) to determine the entitlements under the Open Offer.

Palmsville, being the Principal Shareholder, which is wholly owned by Mr. Zhou Ling, an executive Director, is interested in 32,000,000 Shares as at the date of this announcement, representing approximately 4.92% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertakings, the Principal Shareholder has irrevocably undertaken to subscribe for 16,000,000 Offer Shares to be allotted to it or its nominee(s) pursuant to the Open Offer.

Pursuant to the Underwriting Agreement, the Underwriters have conditionally agreed to underwrite in aggregate of 309,229,529 Offer Shares (excluding the number of the Offer Shares agreed to be taken up by the Principal Shareholder pursuant to the Irrevocable Undertakings) not subscribed by the Shareholders on a fully underwritten basis, of which the Principal Shareholder as one of the Underwriters has agreed to underwrite not more than 224,000,000 Offer Shares in the first place and Kingston Securities as the other one of the Underwriters has agreed to underwrite the remaining of not more than 85,229,529 Offer Shares, subject to the terms and conditions of the Underwriting Agreement.

The Underwriters have agreed that Kingston Securities, apart from the 85,229,529 Offer Shares underwritten by Kingston Securities, has the Right to procure subscribers who are not connected persons (as defined under the Listing Rules) of the Company and are independent of the Company and its connected persons (as defined under the Listing Rules) to subscribe for additional Offer Shares up to the maximum number of 224,000,000 Offer Shares which the Principal Shareholder is obligated to subscribe or to procure subscribers to subscribe under the Underwriting Agreement. As at the date of this announcement, the Principal Shareholder has no intention as to whether it will procure subscribers to subscribe for the Offer Shares undertaken to be underwritten by the Principal Shareholder under the Underwriting Agreement.

The estimated net proceeds from the Open Offer will be approximately HK\$63 million, and will be fully used to finance the Company's business of exploitation and production of crude oil in Bula Block Oilfields on the island of Seram in Indonesia and the operation expense and other relevant and related activities.

The Shareholders and potential investors of the Company should note that completion of the Underwriting Agreement is conditional and may or may not proceed. The Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

#### **WARNING OF THE RISK OF DEALINGS IN THE SHARES**

**The Shareholders and potential investors of the Company should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-paragraph headed "Termination of the Underwriting Agreement" below). Accordingly, the Open Offer may or may not proceed.**

**The Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

**The Shareholders should note that the Shares will be dealt in on an entitlements basis commencing from Monday, 13 February 2006 and that dealings in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Friday, 10 March 2006), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.**

## **GENERAL**

A prospectus containing, among other things, details of the Open Offer will be despatched to all Shareholders as soon as practicable.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in Shares on the Stock Exchange has been suspended from 9:30 a.m. on Wednesday, 11 January 2006 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on Wednesday, 1 February 2006.

## **PROPOSED OPEN OFFER**

### **Issue statistics**

|   |   |  |
|---|---|--|
| Basis of the Open Offer   | : | One Offer Share for every two existing Shares held on the Record Date and payable in full on acceptance  |
| Subscription Price  | : | HK\$0.20 per Offer Share   |
| Number of Shares in issue as at the date of this announcement                 | : | 650,459,059 Shares   |
| Number of Offer Shares  | : | 325,229,529 Offer Shares   |
| Number of Offer Shares undertaken to be taken up by the Principal Shareholder | : | Pursuant to the Irrevocable Undertakings, the Principal Shareholder has irrevocably undertaken to subscribe for 16,000,000 Offer Shares to be allotted to it or its nominee(s) pursuant to the Open Offer. |

Number of Offer Shares : Pursuant to the Underwriting Agreement, underwritten by the Underwriters : Pursuant to the Underwriting Agreement, the Underwriters have conditionally agreed to underwrite in aggregate of 309,229,529 Offer Shares (excluding the number of the Offer Shares agreed to be taken up by the Principal Shareholder pursuant to the Irrevocable Undertakings) not subscribed by the Shareholders on a fully underwritten basis, of which the Principal Shareholder as one of the Underwriters has agreed to underwrite not more than 224,000,000 Offer Shares in the first place and Kingston Securities as the other one of the Underwriters has agreed to underwrite the remaining of not more than 85,229,529 Offer Shares, subject to the terms and conditions of the Underwriting Agreement.

Number of Shares in issue : 975,688,588 Offer Shares upon completion of the Open Offer

The Company has no derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement and has no intention to issue any new Share or any of the above securities before the latest time for acceptance of the Open Offer, which is 7 March 2006.

### **Qualifying Shareholders**

The Open Offer is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders and (ii) the Prospectus, for information only, to the Prohibited Shareholders. To qualify for the Open Offer, the Shareholders must at the close of business on the Record Date:

- (i) be registered on the register of members of the Company; and
- (ii) not being Prohibited Shareholders.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer of the Shares (with the relevant share certificates) for registration with the Registrar by 4:00 p.m. on Tuesday, 14 February 2006. The Registrar is:

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17/F Hopewell Centre  
183 Queen's Road East, Wanchai, Hong Kong

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable. There will not be any trading in nil-paid entitlements on the Stock Exchange. The Directors consider that the arrangement of trading in nil-paid entitlements on the Stock Exchange will involve additional administrative work and costs for the Open Offer, which is not in the best interest of the Company and the Shareholders as a whole.

### **Application for excess Offer Shares**

Qualifying Shareholders are entitled to apply for any unsold entitlements and any Offer Shares provisionally allotted but not accepted by completing the excess application form for application for excess Offer Shares and lodging the same with a separate remittance for the excess Offer Shares being applied for.

The Directors will allocate the excess Offer Shares at their discretion, on a fair basis by reference to the number of excess Offer Shares applied for by each Qualifying Shareholder, but will give preference to topping-up odd lots to whole board lots.

The Shareholders with the Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Offer Shares will not be extended to beneficial owners individually. The Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

### **Closure of register of members**

The register of members of the Company will be closed from Wednesday, 15 February 2006 to Monday, 20 February 2006, both dates inclusive, to determine the eligibility of the Open Offer. No transfer of Shares will be registered during this period.

### **Subscription Price**

The subscription price for the Offer Shares is HK\$0.20 per Offer Share, payable in full on application. The Subscription Price of HK\$0.20 per Offer Share represents:

- (i) a discount of approximately 41.18% to the closing price of HK\$0.34 per Share as quoted on the Stock Exchange on 10 January 2006, being the last trading day before the date of this announcement;
- (ii) a discount of approximately 31.03% to the theoretical ex-entitlement price (being the average price per Share of the Subscription Price for one 1 Offer Share and the aforesaid closing price for two existing Shares) of approximately HK\$0.29 per Share;



- (iii) a discount of approximately 40.48% to the average closing price of HK\$0.336 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 10 January 2006;
- (iv) a discount of approximately 39.39% to the average closing price of HK\$0.33 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 10 January 2006; and
- (v) a discount of approximately 52.83% to the unaudited net tangible asset value per Share of approximately HK\$0.42 with reference to the unaudited net tangible asset value of the Group of approximately US\$35.86 million (which is approximately HK\$276.08 million) as at 30 June 2005 as shown in the interim report of the Company for the six months ended 30 June 2005 and 650,459,059 Shares in issue as at the date of this announcement.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriters. Taking into account (i) the need to raise fund for the production costs in Bula Block Oilfields in order to increase oil production and operation; and (ii) the underwriting commitments agreed by the Underwriters in respect of the Open Offer on the basis of one Offer Share for every two existing Shares, the Subscription Price was determined to be HK\$0.20 per Offer Share. In view that the Open Offer is available to all Qualifying Shareholders, the Directors also consider that the discount of the Subscription Price to the recent market prices of Shares will be able to attract all Qualifying Shareholders to subscribe for their respective entitlement to maintain their shareholding interest in the Company and participate in the future growth of the Group notwithstanding the discount to the prevailing market price of the Shares. The Directors consider that the terms of the Open Offer, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Status of the Offer Shares**

The Offer Shares (when allotted, fully paid and issued) will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

### **Fractions of Offer Shares**

The Company will not allot fractions of the Offer Shares. Any Offer Shares created from the aggregation of fractions of Offer Shares will be taken up by the Underwriters and/or by the Qualifying Shareholders who have applied for the excess Offer Shares.

## **Certificates of the fully-paid Offer Shares**

Subject to fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be posted on or before Wednesday, 15 March 2006 to those entitled thereto at their own risks. No fractional entitlements or allotments are expected to arise as a result of the Open Offer.

## **Rights of the Overseas Shareholders**

If, at the close of business on the Record Date, a Shareholder's address on the register of member of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer as the Prospectus Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong. The Board will make enquiries to its lawyers as to whether the issue of Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange pursuant to Rule 13.36(2)(a) of the Listing Rules. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer Offer Shares to such Overseas Shareholders, no provisional allotment of Offer Shares will be made to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Prohibited Shareholders.

## **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. Dealings in the Offer Shares will be subject to the payment of stamp duty in Hong Kong.

## **Irrevocable Undertakings**

Palmsville, which is wholly owned by Mr. Zhou Ling, an executive Director, is interested in 32,000,000 Shares as at the date of this announcement, representing approximately 4.92% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertakings, Palmsville has irrevocably undertaken to subscribe for 16,000,000 Offer Shares to be allotted to it or its nominee(s) pursuant to the Open Offer.

## **Underwriting Agreement dated 10 January 2006**

Pursuant to the Underwriting Agreement, the Underwriters have conditionally agreed to underwrite in aggregate of 309,229,529 Offer Shares (excluding the number of the Offer Shares agreed to be taken up by the Principal Shareholder pursuant to the Irrevocable Undertakings) not subscribed by the Shareholders on a fully underwritten



basis, of which the Principal Shareholder as one of the Underwriters has agreed to underwrite not more than 224,000,000 Offer Shares in the first place and Kingston Securities as the other one of the Underwriters has agreed to underwrite the remaining of not more than 85,229,529 Offer Shares, subject to the terms and conditions of the Underwriting Agreement.

The Underwriters have agreed that Kingston Securities, apart from the 85,229,529 Offer Shares underwritten by Kingston Securities, has the Right to procure subscribers who are not connected persons (as defined under the Listing Rules) of the Company and are independent of the Company and its connected persons (as defined under the Listing Rules) to subscribe for additional Offer Shares up to the maximum number of 224,000,000 Offer Shares which the Principal Shareholder is obligated to subscribe or to procure subscribers to subscribe under the Underwriting Agreement. As at the date of this announcement, the Principal Shareholder has no intention as to whether it will procure subscribers to subscribe for the Offer Shares undertaken to be underwritten by the Principal Shareholder under the Underwriting Agreement.

If Kingston Securities elects to exercise the Right, the obligation of the Principal Shareholder to subscribe or procure subscribers to subscribe for the Offer Shares undertaken to be underwritten by the Principal Shareholder under the Underwriting Agreement will be reduced accordingly and to the extent of the number of additional Offer Shares to be subscribed by subscribers procured by Kingston Securities. As such, the 224,000,000 Offer Shares undertaken to be underwritten by the Principal Shareholder under the Underwriting Agreement will be reduced and the Principal Shareholder's shareholding interest in the Company will be reduced immediately upon the completion of the Open Offer in the event of the exercise of the Right by Kingston Securities.

Kingston Securities shall, not later than 4:00p.m. on the second business day after the latest time for acceptance of the Offer Shares, inform the Company and the Principal Shareholder of its decision to exercise the Right.

Kingston Securities and its ultimate beneficial owners are not connected persons (as defined under the Listing Rules) of the Company and are independent of the Company and its connected persons (as defined under the Listing Rules). The Company will pay each of the Principal Shareholder and Kingston Securities underwriting commission of 2.5 percent of the subscription price on the maximum number of Offer Shares agreed respectively underwritten by them under the Underwriting Agreement. In the event that Kingston Securities elect to exercise the Right, Kingston Securities will receive underwriting commission of 2.5 percent of the subscription price on the subscription of the relevant additional Offer Shares and the underwriting commission payable to the Principal Shareholder will be accordingly reduced as a result of exercising the Right.

In the event that Kingston Securities is obligated to apply for any of the Offer Shares pursuant to the Underwriting Agreement upon the Open Offer becoming unconditional, Kingston Securities will subscribe or procure subscribers or sub-underwriters who are not connected persons (as defined under the Listing Rules) of the Company and are independent of the Company and its connected persons (as defined under the Listing Rules) to subscribe for the amount of the Offer Shares underwritten by itself.

### **Termination of the Underwriting Agreement**

**If at any time on or before 4:00 p.m. on the third business day following the latest date for the acceptance of Offer Shares:**

- (a) Kingston Securities shall become aware of the fact that, or shall have reasonable cause to believe that any of the warranties herein was untrue, inaccurate, misleading or breached, and in each case the same is (in the absolute opinion of Kingston Securities) material in the context of the Open Offer; or**
- (b) there shall be:**
  - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;**
  - (ii) any change in local, national or international financial, political, industrial or economic conditions;**
  - (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;**
  - (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;**
  - (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;**
  - (vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of seven business days (as defined in the Listing Rules) save for the clearance of this announcement;**
  - (vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere;**

**which is or are, in the absolute opinion of the Kingston Securities:**

- (a) likely to have a material adverse effect on the business, financial position or prospectus of the Group taken as a whole; or**
- (b) likely to have a material adverse effect on the success of the Open Offer or the level of Offer Shares to be taken up; or**
- (c) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Open Offer,**

**then and, in such case, the Kingston Securities may, by notice in writing given to the Company on or before 4:00 p.m. on the third business day after the latest date for the acceptance of Offer Shares, rescind the Underwriting Agreement and thereupon all obligations of the Kingston Securities under the Underwriting Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of and in connection with the Underwriting Agreement and the Open Offer shall not proceed.**

Pursuant to the Underwriting Agreement, there is no provision contained therein that entitles the Principal Shareholder to terminate the Underwriting Agreement.

### **Conditions of the Open Offer**

The Open Offer is conditional upon:

- (a) the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the relevant documents each duly certified by all the Directors (or by their agents duly authorized in writing) in compliance with section 38D of the Companies Ordinance (and all other documents required to be attached thereto) and otherwise complying with the requirements of the Companies Ordinance and the Listing Rules before the despatch of the Prospectus;**
- (b) the posting of copies of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus stamped “For information only” to the Prohibited Shareholders, in each case, on the date of the Prospectus;**
- (c) the Listing Committee of the Stock Exchange (i) agreeing to grant the listing of; and permission to deal in, the Offer Shares (either unconditionally or subject to such conditions which the Kingston Securities in its opinion accepts and the satisfaction of such conditions (if any)) on or before the despatch of the Prospectus; and (ii) not having withdrawn or revoked such listing and permission on or before dealing date of the Offer Shares on the Stock Exchange;**

- (d) the obligations of Kingston Securities under the Underwriting Agreement not being terminated by Kingston Securities in accordance with the terms therein; and
- (e) the current listing of the Shares on the Stock Exchange not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than ten trading days (other than any suspension pending clearance of this announcement in relation to the Open Offer) and no indication being received from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Open Offer or in connection with the terms of the Underwriting Agreement or for any other reason;

and so that in the event of the said conditions not being fulfilled or waived on or before the respective dates aforesaid (or such later date or dates as may be agreed between the Company and Kingston Securities) the Underwriting Agreement shall terminate and all obligations and liabilities of the parties thereunder shall forthwith cease and determine and no party shall have any claim against the others (save for any antecedent breaches thereof).

Neither the Company nor Kingston Securities may waive conditions of paragraphs (a) to (c) and (e) above. Although Kingston Securities may waive condition of paragraph (d) above, Kingston Securities has no current intention to waive such condition.

## **WARNING OF THE RISK OF DEALINGS IN THE SHARES**

**The Shareholders and potential investors of the Company should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-paragraph headed “Termination of the Underwriting Agreement” below). Accordingly, the Open Offer may or may not proceed.**

**The Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

**The Shareholders should note that the Shares will be dealt in on an entitlements basis commencing from Monday, 13 February 2006 and that dealings in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Friday, 10 March 2006), will**

accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

## Shareholding structure of The Company

The following is the shareholding structure of the Company immediately before and after completion of the Open Offer:

|                                    | Immediately before completion of Open Offer |               | Immediately after completion of the Open Offer (assuming no Shareholders takes up their respective entitlements except for the Principal Shareholder) |               | Immediately after completion of the Open Offer (assuming no Shareholders takes up their respective entitlements except for the Principal Shareholder and Kingston Securities has exercised the Right) (Note 2) |               | Immediately after completion of the Open Offer (assuming all Shareholders takes up their respective entitlements) |               |
|------------------------------------|---|---------------|---|---------------|--|---------------|---|---------------|
|                                    | Number of Shares                            | %             | Number of Shares  | %             | Number of Shares   | %             | Number of Shares  | %             |
| The Principal Shareholder (Note 1) | 32,000,000                                  | 4.92          | 272,000,000   | 27.88         | 48,000,000   | 4.92          | 48,000,000  | 4.92          |
| Public:                            |   |               |   |               |  |               |   |               |
| Kingston Securities                | 0   | 0.00          | 85,229,529  | 8.74          | 85,229,529   | 8.74          | 0   | 0.00          |
| Other Shareholders                 | 618,459,059                                 | 95.08         | 618,459,059   | 63.39         | 842,459,059  | 86.34         | 927,688,588   | 95.08         |
| Total                              | <u>650,459,059</u>                          | <u>100.00</u> | <u>975,688,588</u>  | <u>100.00</u> | <u>975,688,588</u>   | <u>100.00</u> | <u>975,688,588</u>  | <u>100.00</u> |

Note:

1. The Principal Shareholder is wholly owned by Mr. Zhou Ling, an executive Director.
2. In the event that Kingston Securities exercises the Right, Kingston Securities will procure subscribers who are not connected persons (as defined under the Listing Rules) of the Company and are independent of the Company and its connected persons (as defined under the Listing Rules) to subscribe for additional Offer Shares up to the maximum number of 224,000,000 Offer Shares which the Principal Shareholder is obligated to subscribe or to procure subscribers to subscribe under the Underwriting Agreement..

## Reasons for the Open Offer and use of proceeds

The Group is principally engaged in developing, exploring and producing crude oil in Philippines and Indonesia, and providing electronics manufacturing services in the United Kingdom.

The Board considers that the Open Offer will enable the Group to strengthen its capital base and to enhance its financial position. The Board considered various ways of fund raising (including placing of new Shares) and concluded that raising capital through the Open Offer is the most appropriate means and in the interests of the Company and the Shareholders as a whole given that the Open Offer will allow the Qualifying Shareholders to maintain their shareholdings in the Company and provide them with an opportunity to participate in the growth of the Company whereas placing of new Shares will have an immediate dilution effect on the existing shareholdings in the Company.

The estimated net proceeds from the Open Offer will be approximately HK\$63 million, and will be fully used to finance the Company's business of exploitation and production of crude oil in Bula Block Oilfields on the island of Seram in Indonesia and the operation expense and other relevant and related activities.

The estimated expense of the Open Offer of approximately HK\$2.04 million, of which approximately HK\$1.55 million will be the expense of underwriting commission, approximately HK\$0.40 million will be the professional service fees and approximately HK\$0.09 million will be the printing cost, will be borne by the Company.

Fund raising activities of the Company in the last 12 months immediately before the date of this announcement.

The following table summaries the capital raising activities of the Group in the last 12 months immediately before the date of this announcement:

| <b>Date of announcement</b> | <b>Event and proceeds</b>   | <b>Intended use of proceeds</b>           | <b>Actual use of proceeds as at the date of this announcement</b> |
|-----------------------------|---|---|---|
| 23 June 2005                | Issue of HK\$40 million convertible debentures to independent third parties | The acquisition of oil field in Indonesia | The acquisition of oil field in Indonesia                         |



## EXPECTED TIMETABLE

2006

|  |  |
|--|--|
| Last day of dealings in Shares<br>on a cum-entitlement basis .....                                     | Friday, 10 February  |
| First day of dealings in Shares<br>on an ex-entitlement basis .....                                    | Monday, 13 February  |
| Latest time for lodging transfers<br>of Shares in order to be<br>qualified for the Open Offer .....    | 4:00 p.m. on Tuesday, 14 February  |
| Register of members for the Shares closes .....  | Wednesday, 15 February<br>to Monday, 20 February<br>(both dates inclusive) |
| Despatch of the Prospectus Documents .....   | Monday, 20 February  |
| Record Date .....  | Monday, 20 February  |
| Register of members for the Shares reopens .....   | Tuesday, 21 February   |
| Latest time for acceptance of and<br>payment for Offer Shares .....                                    | 4:00 p.m. on Tuesday, 7 March  |
| Latest time for the Open Offer<br>to become unconditional .....  | 4:00 p.m. on Friday, 10 March  |
| Announcement of the results of the Open Offer .....  | Tuesday, 14 March  |
| Despatch of refund cheques in respect<br>of wholly or partly unsuccessful<br>excess applications ..... | Wednesday, 15 March  |
| Share certificates for Offer Shares to be posted .....   | Wednesday, 15 March  |
| Dealings in fully-paid Offer Shares commence .....   | Friday, 17 March   |

Dates stated in this announcement for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Open Offer will be announced as appropriate.

The Shareholders of the Company should note that completion of the Underwriting Agreement is conditional and may or may not proceed. The Shareholders and potential investors of the Company should exercise extreme caution when dealing in the Shares.

## **GENERAL**

A prospectus containing, among other things, details of the Open Offer will be despatched to all Shareholders as soon as practicable.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in Shares on the Stock Exchange has been suspended from 9:30 a.m. on Wednesday, 11 January 2006 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on Wednesday, 1 February 2006.

## **DEFINITIONS**

|                            |   |
|----------------------------|---|
| “Board”                    | board of Directors  |
| “business day”             | a day, other than Saturday, on which banks in Hong Kong are open for business   |
| “Company”                  | South Sea Petroleum Holdings Limited, a company incorporated in Hong Kong with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange                                 |
| “Companies Ordinance”      | Companies Ordinance (Chapter 32 of the Laws of Hong Kong)   |
| “Directors”                | directors of the Company  |
| “Group”                    | the Company and its subsidiaries  |
| “Hong Kong”                | the Hong Kong Special Administrative Region of the PRC  |
| “Irrevocable Undertakings” | the irrevocable undertakings given by Palmsville, under which Palmsville has irrevocably undertaken to subscribe for its full entitlements pursuant to the Open Offer   |
| “Kingston Securities”      | Kingston Securities Limited, a licensed corporation to carry on business in type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Listing Rules”            | the Rules Governing the Listing of Securities on the Stock Exchange   |

|   |   |
|---|---|
| “Offer Share(s)”                        | 325,229,529 new Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of one Offer Shares for every two existing Shares held on the Record Date and payable in full on acceptance pursuant to the Open Offer |
| “Open Offer”                            | the proposed issue of the Offer Shares by way of Open Offer to the Qualifying Shareholders on the terms to be set out in the Prospectus Documents and summarised herein   |
| “Overseas Shareholders”                 | the Shareholders whose addresses on the register of member of the Company are outside Hong Kong on the Record Date  |
| “Palmsville” or “Principal Shareholder” | Palmsville Equities Inc., a company incorporated in the British Virgin Islands and wholly owned by Mr. Zhou Ling, an executive Director   |
| “Prohibited Shareholder(s)”             | those Overseas Shareholders to whom the Company considers it necessary or expedient not to offer the Offer Shares based on the enquiry made pursuant to the Underwriting Agreement  |
| “Prospectus”                            | the prospectus to be despatched to the Shareholders on 20 February 2006 in connection with the Open Offer in such form as may be agreed between the Company and the Underwriters  |
| “Prospectus Documents”                  | the Prospectus, the provisional allotment letter and the form of application for excess Offer Shares  |
| “Qualifying Shareholders”               | the Shareholders, whose names appear on the register of members of the Company as at the close of business on the Record Date, other than the Prohibited Shareholders   |
| “Record Date”                           | Wednesday, 20 February 2006, being the date by reference to which entitlements to the Open Offer will be determined   |
| “Registrar”                             | Computershare Hong Kong Investor Services Limited<br>the share registrar of the Company   |

|                          |   |
|--------------------------|---|
| “Right”                  | the right of Kingston Securities to procure subscribers to subscribe for additional Offer Shares, and up to the maximum number of 224,000,000 Offer Shares, which the Principal Shareholder is obligated to subscribe or to procure subscribers to subscribe under the Underwriting Agreement |
| “Share(s)”               | ordinary share(s) of US\$0.01 each in the share capital of the Company  |
| “Shareholder(s)”         | holder(s) of the Shares   |
| “Stock Exchange”         | The Stock Exchange of Hong Kong Limited   |
| “Subscription Price”     | the subscription price of HK\$0.20 per Offer Share  |
| “Underwriters”           | the Principal Shareholder and Kingston Securities   |
| “Underwriting Agreement” | the underwriting agreement dated 10 January 2006 entered into between the Company and the Underwriters in relation to the Open Offer  |
| “HK\$”                   | Hong Kong dollars, the lawful currency of Hong Kong   |
| “US\$”                   | United States dollars   |
| “%”                      | per cent.   |

*For the purpose of illustration only and unless otherwise stated, the translation of US\$ into HK\$ is based on the exchange rate of US\$1.00 = HK\$7.70. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.*

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

Hong Kong, 27 January 2006

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

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