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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)**

**DESPATCH OF PROSPECTUS**

The Prospectus containing further information regarding, among other things, the Open Offer, including information on dealings in and transfers and acceptances of the Offer Shares, and financial and other information in respect of the Group was despatched to the Qualifying Shareholders and, for information only, to the Prohibited Shareholders on 20 February 2006.

**The Shareholders and potential investors of the Company should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and Kingston Securities 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” in the Prospectus). 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.**

An unaudited pro forma statement of adjusted consolidated net tangible assets of the Group for the purpose of illustrating the effect of the Open Offer has been set out below.

References are made to the announcement issued by South Sea Petroleum Holdings Limited (the “Company”) dated 27 January 2006 (the “Announcement”). Unless the context otherwise requires, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

**DESPATCH OF PROSPECTUS**

The prospectus dated 20 February 2006 issued by the Company (the “Prospectus”) containing further information regarding, among other things, the Open Offer, including information on dealings in and transfers and acceptances of the Offer Shares, and financial and other information in respect of the Group was despatched to the Qualifying Shareholders and, for information only, to the Prohibited Shareholders on 20 February 2006

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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.

Shareholders should note that the Shares have been dealt in on an ex-entitlements basis commencing from Monday, 13 February 2006 and that dealings in Shares take place while the conditions to which the Open Offer 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.

#### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is extracted from the Prospectus:

The unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Open Offer on the consolidated net tangible assets of the Group as if the Open Offer had taken place on 30 June 2005.

The unaudited pro forma financial information has been prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group following the Open Offer.

	<b>As at 30 June 2005</b> <i>(approximately)</i> US\$'000 <i>(Note 1)</i>	<b>Estimated net proceeds from the Open Offer</b> <i>(approximately)</i> US\$'000 <i>(Note 2)</i>	<b>Unaudited pro forma adjusted amount</b> <i>(approximately)</i> US\$'000
Unaudited consolidated net tangible assets attributable to the equity holders of the Company	<u>34,847</u>	<u>8,183</u>	<u>43,030</u>
Unaudited consolidated net tangible asset value per Share as at 30 June 2005			<u>US\$0.062</u> <i>(Note 3)</i>
Unaudited pro forma adjusted consolidated net tangible asset value per Share			<u>US\$0.048</u> <i>(Note 4)</i>

*Notes:*

1. The unaudited consolidated net tangible assets attributable to the equity holders of the Company as at 30 June 2005:

	<i>(approximately)</i> US\$'000
Net assets attributable to equity holders of the Company as at 30 June 2005	35,311
Less: Goodwill	<u>464</u>
	<u><u>34,847</u></u>

2. The estimated net proceeds from the Open Offer are based on 325,229,529 Offer Shares to be allotted at the Subscription Price of HK\$0.20 each under the Open Offer and after deducting expenses of approximately HK\$2.04 million which include underwriting commission, professional fees and printing charges.
3. The unaudited consolidated net tangible asset value per Share as at 30 June 2005 is calculated based on 562,285,811 Shares in issue as at 30 June 2005.
4. The unaudited pro forma adjusted consolidated net tangible asset value per Share of approximately US\$0.048 is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group as calculated above and on the basis of 887,515,340 Shares, comprising 562,285,811 Shares in issue as at 30 June 2005 and 325,229,529 Offer Shares to be issued pursuant to the Open Offer.
5. It should be noted that 88,173,248 Shares were issued for the conversion of convertible debentures of the Company from 1 July 2005 to 31 December 2005. Those 88,173,248 Shares has not been taken into consideration for the preparation of this statement of unaudited pro forma adjusted consolidated net tangible assets of the Group.

## **GENERAL**

As at the date of this announcement, the board of directors of the Company 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.

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

Hong Kong, 20 February 2006

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