

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)

**ISSUE OF HK\$200,000,000 NIL INTEREST
 CONVERTIBLE DEBENTURES DUE 2009
 MONTHLY ANNOUNCEMENT**

Reference is made to the Company's announcement dated 7 April 2006. The Company made this announcement as per the requirements of the listing approval granted by the Stock Exchange in respect of the New Shares to be issued and allotted upon the conversion of the Debentures. During the month of May 2006, HK\$24,000,000 Debentures were converted and 96,000,000 New Shares were issued pursuant to such conversions.

Reference is made to the Company's announcement dated 7 April 2006 (the "Announcement"). The Company made this announcement as per the requirements of the listing approval granted by the Stock Exchange in respect of the New Shares to be issued and allotted upon the conversion of the Debentures. Unless the context herein otherwise requires, terms used in this announcement shall have the same meanings as in the Announcement.

The Company would like to report that conversions of the Debentures were made by the Debenture Holders during the month of May 2006 with details as follows:

Date of issue and allotment of New Shares	No. of New Shares issued	Conversion Price per Share (HK\$)	Amount of Debentures converted (HK\$)	Outstanding Debentures after the conversion (HK\$)
23 May 2006	48,000,000	0.25	12,000,000	188,000,000
26 May 2006	48,000,000	0.25	12,000,000	176,000,000
Total:	<u>96,000,000</u>		<u>24,000,000</u>	

Changes in the issued share capital of the Company for the month of May 2006:

	Issued share capital at par value of US\$0.01 each (US\$)	Number of Issued Shares
As at 1 May 2006	9,756,885	975,688,588
Total number of New Shares issued pursuant to conversions of the Debentures during May 2006	<u>960,000</u>	<u>96,000,000</u>
As at 31 May 2006	<u>10,716,885</u>	<u>1,071,688,588</u>

With reference to the Announcement in relation to the “Effect of Conversion and Substantial Shareholder”, the Debenture Holders confirmed that, pursuant to the Subscription Agreement dated 29 March 2006, they are not holding 5% or more of the Company’s issued share capital as enlarged by the issue of the New Shares at any time, whether directly or indirectly, both before and after such conversions of the Debentures.

This announcement is only released through the web-site of The Stock Exchange of Hong Kong Limited and no publication in the newspaper is made.

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

Hong Kong, 2 June 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.