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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)

**VERY SUBSTANTIAL DISPOSAL
AND
RESUMPTION OF TRADING**

Reference is made to the announcements dated 25 May 2006 and 8 June 2006.

The Directors of the Company announce that on 5 September 2006, the Agreement has been reached between the Company and the Investor. The Company will procure SSP (Philippines) to issue the Selling Shares to the Investor for an aggregate consideration of US\$36,000,000. Upon completion of the Transaction, the Investor will be interested in 48% of the issued share capital of SSP (Philippines) as enlarged by the issue of the Selling Shares. All of the Consideration will be payable to SSP (Philippines) and be used in the exploration work of the Oilfields.

Under the Listing Rules, the Transaction constitutes a very substantial disposal which requires Shareholders' approval. An extraordinary general meeting will be held for Shareholders to consider and, if thought fit, approve the Transaction contemplated thereunder. A circular containing detailed information of the Transaction will be dispatched to Shareholders as soon as practicable.

Trading in the shares of the Company has been suspended at the request of the Company with effect from 12:02 p.m. on 5 September 2006 pending the release of this announcement. An application has been made to the Stock Exchange for resumption in trading of the Shares with effect from 9:30 a.m. on 11 September 2006.

Reference is made to the announcements dated 25 May 2006 and 8 June 2006 (the "Announcements"). In the Announcements, the Company disclosed that a U.S. based company proposed to acquire equity interest in SSP (Philippines). On 8 June 2006, the Company entered into a Memorandum of Understand with the Investor which proposed to acquire 55% of equity interest in SSP (Philippines). After further negotiation, the Investor agreed to subscribe the Selling Shares, being 48% of the issued share capital of SSP (Philippines) as enlarged by the issue of the Selling Shares, instead of 55% in the Memorandum of Understand.

THE AGREEMENT DATED 5 SEPTEMBER 2006

Parties to the Agreement:

Investor: RTM Financial Corp., a U.S. based financial company which involves in financial investment including government bonds, securities, as well as industries such as high technology and energy.

The Company confirms that, to the best of the directors' knowledge, information and belief having made all reasonable enquiries, the Investor and its ultimate beneficial owner(s) are third parties independent of the Company and its subsidiaries and connected person (as defined under the Listing Rules) of the Company.

The Company

Information of SSP (Philippines)

On 15 December 2004, the Company and the Government of the Philippines entered into a service contract (the "Service Contract"), under which the Company is allowed exploring oil and gas over 748,000 hectares (approximately 7,478 sq.km) area at Agusan-Davao Basin in Davao province, south of the Philippines (the "Oilfields"). Under the Service Contract, the Exploration Term is 7 years while the Production Term is 25 years.

SSP (Philippines), a wholly owned subsidiary of the Company, was established in March 2005 for implementing the Service Contract, and the exploration work was commenced in June 2005. SSP (Philippines) does not own any subsidiaries or investments in any other companies. The Oilfields are the only operation of SSP (Philippines).

Selling Shares to be acquired by the Investor:

The Company will procure SSP (Philippines) to issue the Selling Shares to the Investor. Upon completion of the Transaction, the Investor will be interested in 48% of the issued share capital of SSP (Philippines) as enlarged by the issue of the Selling Shares. Before the Transaction, the Company owns 100% of SSP (Philippines). After the Transaction, the Company will own 52% of SSP (Philippines). SSP (Philippines) will remain a subsidiary of the Company, and the accounts of which will continue to be consolidated into the financial statements of the Group.

Value of the Selling Shares:

For the period from 14 March 2005 to 31 December 2005, the audited net loss of SSP (Philippines) is US\$0.36 million. As of 30 June 2006, the unaudited net asset value of SSP (Philippines) is US\$3.72 million. No revenue has been generated since the date of incorporation of operation of SSP (Philippines). And the Company confirms that there is no gain/loss from the Transaction. (The financial statements of SSP (Philippines) are prepared under the accounting standard of the Philippines). The Service Contract for the exploration rights of the Oilfields, was not purchased from any third party, but was signed directly with the Government of the Republic of the Philippines by the Company. The consideration price of US\$36,000,000 is the result of negotiation between the Company and the Investor based on the potential value of the Oilfields. Such potential value is based on the information presented, upon the signing of the Service Contract, by the Department of Energy of the Government of the Philippines which estimated that the potential resources of the Oilfields will be about 113 million barrels of oil and 1.1 trillion cubic feet of gas. The Company did not engage any qualified professional organization to verify such figures. In the negotiation for the terms of the Agreement including the Consideration amount, the Company has considered the potential resources to be explored from the Oilfields, the current oil price and the share of profit that the Company may obtain from the Oilfields after deduction of cost and profit attributed to the Government of the Philippines to determine the Consideration.

Consideration:

The total consideration for the Transaction is US\$36,000,000, of which US\$1,800,000 as non-refundable cash deposit is to be paid in seven days from the date the Shareholders granting their approval to the Transaction.

The Investor will pay the rest of the Consideration upon the completion of the transfer of the Selling Shares, by cash or by cash and securities (limited to U.S. government bonds, U.S. public listed companies' shares) trading in the U.S. financial market. The Company will prefer cash payment for the balance of the Consideration unless such securities, if delivered by the Investor as part of the Consideration, will be satisfied by the Company and the value of the securities will be more than the outstanding balance of the Consideration. In principle, the securities as part of the Consideration will be 90% of the 5 day average price of the securities immediately before the delivery day. The Company is in its sole discretion in determining and selecting the cash/securities portfolio, and there is no predetermined cash/securities proportion in respect of the Consideration set in the Agreement. The Company and the Directors will base on the market situations, and act in the best interests of the Company and Shareholders as a whole. The Company will, according to the requirements under the Listing Rules, publish further announcements and comply with the relevant Listing Rules (if applicable) if the remaining Consideration is not wholly settled in cash.

All of the Consideration will be payable to SSP (Philippines) and be used in the exploration work of Oilfields

The Consideration was arrived at after arm's length negotiation between the Investor and the Company.

Conditions:

1. Completion of the Transaction is subject to the approval of Shareholders of the Company.
2. The Investor may procure a maximum of two (2) affiliated companies, including Investor itself, to acquire part of 48% equity shares of SSP (Philippines), under all the terms and condition set forth in the Agreement.

There is no long stop date in respect of the Agreement.

REASONS FOR THE TRANSACTION

The Oilfields are in the exploration stage which may involve large amount of fund injection. The Transaction can bring in working capital to the Oilfields while the Company remains controlling shareholder of SSP (Philippines). The Directors (including independent non-executive directors) consider the terms of the Agreement are fair and reasonable and are on normal commercial terms, which are in the interests of the Company and its Shareholders as a whole.

INDEPENDENCE OF INVESTOR(S)

The Company confirms that to the best of the directors' knowledge, information and belief having made all reasonable enquiries, whether the Investor or the affiliated companies procured by the Investor (together the "Investors"), and their ultimate beneficial owners, are third parties independent of the Company and its subsidiaries and connected person (as defined under the Listing Rules) of the Company. The Investors and their beneficial owners and their respective associates have no interest in any shares of the Company.

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.

Under the Listing Rules, the Transaction constitutes a very substantial disposal which requires Shareholders' approval. An extraordinary general meeting will be held for Shareholders to consider and, if thought fit, approve the Transaction contemplated thereunder. A circular containing detailed information of the Transaction will be dispatched to Shareholders as soon as practicable.

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DEFINITION

"Agreement"	a share purchase agreement of 5 September 2006 has been reached between the Company and the Investor.
"Directors"	the board of directors of the Company
"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
"Consideration"	US\$36,000,000
"Group"	the Company and its subsidiaries
"Investor"	RTM Financial Corp., a U.S. based financial company

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Selling Shares”	10,033,846 new share, being 48% of the equity interest in SSP (Philippines) as enlarged by the issue of 10,033,846 new shares upon completion of the Transaction
“Shareholder(s)”	holder(s) of the existing shares of the Company
“SSP (Philippines)”	South Sea Petroleum (Philippines) Corporation, a wholly owned subsidiary of the Company which operates oilfields at Agusan-Davao Basin in Davao province, south of Philippines
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Transaction”	on 5 September 2006, a share purchase agreement has been reached between the Company and the Investor. The Company will procure SSP (Philippines) to issue the Selling Shares to the Investor for an aggregate consideration of US\$36,000,000. Upon completion of the Transaction, the Investor will be interested in 48% of the issued share capital of SSP (Philippines) as enlarged by the issue of the Selling Shares.

By order of the board of directors
South Sea Petroleum Holdings Limited
Lam Lee Yu
Company Secretary

Hong Kong, 8 September 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.

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