

**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:  
ESTABLISHMENT OF A JOINT VENTURE**

On 16 April 2007, Global Select, a wholly owned subsidiary of the Company and the Partner entered into the JV Agreement to set up a joint venture company in Hong Kong.

Under the JV Agreement, Global Select will contribute HK\$70,000,000 cash for 70% equity interest for the JVC, whereas the Partner will contribute HK\$30,000,000 cash for 30% equity interest of the JVC.

The purpose of setting up the JVC is for acquiring 100% registered capital, equity and rights of the PRC Company at a purchase price not exceeding HK\$100 million, provided that the exploration and mining rights in respect of the Land vested in the PRC Company has a valuation of no less than RMB5 billion, which will be appraised by an internationally recognized reputable appraiser on the value of the mineral contents thereunder the Land. The PRC Company is a company established in the People's Republic of China to conduct the exploration, mining and exploitation of minerals on or under the Land.

Under the Listing Rules, the JV Agreement constitutes a discloseable transaction. A circular containing detailed information of the JV Agreement will be dispatched to Shareholders as soon as practicable.

**THE JV AGREEMENT**

**Date:** 16 April 2007

**Parties:** Global Select and the Partner (together, the "Parties")

1. Global Select, a wholly owned subsidiary of the Company.
2. The Partner, with major business in investing in the mining industry.

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Partner 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.

**BACKGROUND**

The PRC Company (the PRC Company 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) is a company established in the People's Republic of China to conduct the exploration, mining and exploitation of minerals on or under the Land located at Szechuan, the PRC (四川省攀枝花市三大灣區), consisting of 2.89km<sup>2</sup>, wherein mines of multi-minerals, such as graphite, copper, zinc, are found.

The purpose of setting up the JVC is for acquiring 100% registered capital, equity and rights of the PRC Company at a purchase price not exceeding HK\$100 million, provided that the exploration and mining rights in respect of the Land vested in the PRC Company has a valuation of no less than RMB 5 billion.

There is not any legally binding agreement or arrangement has been entered into in respect of the acquisition of the interest in the PRC Company by the JVC. The Company will comply with all the relevant requirements upon entering into any such legally binding agreement or arrangement.

**THE JOINT VENTURE COMPANY**

The new JVC to be established in Hong Kong with Global Select holding 70% and the Partner holding 30% of its share capital. The JVC will be consolidated into the Company's financial statements as a subsidiary.

**CONDITIONS PRECEDENT**

- (a) Completion of the due diligence review and Global Select being reasonably satisfied with the results thereof;
- (b) approval from the relevant PRC authorities being obtained for conversion the JVC into a wholly-foreign-owned PRC enterprise;
- (c) approval from the relevant PRC authority to the PRC Company being the grantee of the Land Use Permit Contract being obtained;
- (d) the obtaining of all consents from other third parties which are necessary or desirable in connection with the execution and performance of the JV Agreement and any of the transactions contemplated under the JV Agreement;
- (e) Global Select having obtained a legal opinion issued by a PRC law firm in respect of the legality and validity of the Land Use Rights being transferred to the PRC Company, in such form and substance to the satisfaction of Global Select;
- (f) the Partner, at its own expense, having obtained a valuation report from an internationally recognized reputable appraiser on the value of the mineral contents thereunder the Land at a value of no less than RMB5 billion.

On 30 September 2007 or such other date as the Parties may agree in writing being the long stop date to the JV Agreement.

**REASONS FOR THE JV AGREEMENT**

As a consequence of the worldwide industrialization, long term demand growth for natural minerals will remain strong, especially in PRC and in other developing countries. Since the Partner is familiar with the local government and polices, and the geology department in the mining area, and if a valuation report from an internationally recognized reputable appraiser on the value of the mineral contents under the Land at a value of no less than RMB 5 billion, the entering into the JV Agreement will be beneficial to the Company and its Shareholders as a whole.

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.

**FUNDING OF THE JVC**

The Company, through Global Select, will contribute HK\$70,000,000 to the JVC from its cash reserve. The Parties will contribute for their respective interest in the JVC after the completion of the due diligence before the long stop date.

In the meantime, the Company and the Partner has not any other capital commitment (whether equity, loan or otherwise) including any contractual commitment to subscribe capital in respect of the formation of the JVC and the acquisition of the PRC Company, apart from their contribution of HK\$70 million and HK\$30 million for their respective interest in the JVC.

**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 establishment of the JVC constitutes a discloseable transaction. A circular containing detailed information of the JV Agreement will be dispatched to Shareholders as soon as practicable.

**DEFINITION**

"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
"Directors"	the board of directors of the Company
"Global Select"	Global Select Limited, a wholly owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"JV Agreement"	a joint venture agreement of 16 April 2007 entered into between Global Select and the Partner
"JVC"	a joint venture company to be established by Global Select and the Partner
"Land"	the piece of land located at Szechuan, PRC (四川省攀枝花市三大灣區), consisting of 2.89 km <sup>2</sup>
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Partner"	New Fortress Capital Limited, a company incorporated in the British Virgin Islands, and Hara Intelligence Systems Co. Limited, a company incorporated in Samoa
"PRC Company"	成都安曉礦業有限公司 (Chengdu An Xiao Mining Company Limited), a company incorporated in the People's Republic of China
"RMB"	Renminbi (人民幣), the legal currency of the PRC
"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 of directors  
**South Sea Petroleum Holdings Limited**  
**Lam Lee Yu**  
Company Secretary

17 April 2007, Hong Kong

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.