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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 25 July 2007, Global Select, a wholly owned subsidiary of the Company and CRDC entered into the JV Agreement to set up a joint venture company in Hong Kong.

Under the JV Agreement, Global Select will contribute US\$8,500,000 cash for 85% equity interest for the JVC, whereas CRDC will contribute US\$1,500,000 cash for 15% equity interest of the JVC.

The purpose of setting up the JVC is for business opportunities regarding natural resources inside China.

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

THE JV AGREEMENT

Date: 25 July 2007

Parties:

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

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

CONDITION PRECEDENT

Global Select and CRDC shall contribute their fund in a lump sum within one month after the establishment of the JVC. No long stop date is set as a condition precedent.

THE JOINT VENTURE COMPANY

Under the JV Agreement, Global Select will contribute US\$8,500,000 cash for 85% equity interest for the JVC, whereas CRDC will contribute US\$1,500,000 cash for 15% equity interest of the JVC. Global Select and CRDC will share their profits and appoint the board of directors according to their shareholding in the JVC. The JVC will be consolidated into the Company's financial statements as a subsidiary. In the

future, upon wind up or liquidation of the JVC, the arrangement will be based on the Companies Ordinance of Hong Kong.

REASONS FOR ENTERING INTO THE JV AGREEMENT

For China has a huge demand in natural resources for its rapid economic growth, the purpose of setting up the JVC is for business opportunities regarding natural resources which are of proven reserves or already in production inside China. In this stage, there is not any specific types of natural resources considered as target. CRDC also has expertise in the business of natural resources, and a good business network inside China.

The Directors (including independent non-executive directors) consider the terms of the JV 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 US\$8,500,000 to the JVC from its cash reserve. There is no other capital commitment in relation to the formation of 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 the Shareholders as soon as practicable.

DEFINITION

“CRDC”	China Resources Development Co-operation Holdings Limited, a company incorporated in the British Virgin Islands
“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 25 July 2007 entered into between Global Select and CRDC
“JVC”	a joint venture company to be established by Global Select and CRDC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

“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

25 July 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.