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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 2 October 2007, China Resources Development, a subsidiary of the Company, and Mr. Song entered into a JV Agreement to set up a joint venture company to produce and sale of graphite products in Luobei County, Helongjiang Province, China.

Under the JV Agreement, China Resources Development will contribute US\$9,950,000 in cash for 83% of equity interest in the JVC, whereas Mr. Song will contribute US\$2,050,000 in cash for 17% of equity interest in the JVC.

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: 2 October 2007

Parties:

1. China Resources Development, a wholly owned subsidiary of the Company.
2. Mr. Song Xiu Qiang

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Song is a third party independent of the Company and its subsidiaries and connected person (as defined under the Listing Rules) of the Company.

CONDITION PRECEDENT

No long stop date is set as a condition precedent.

THE JOINT VENTURE COMPANY

The purpose of setting up the Joint Venture Company is to produce graphite and related products in Luobei County, Helongjian Province, China, and to market and sell worldwide.

Under the JV Agreement, China Resources Development will contribute US\$9,950,000 in cash for 83% of equity interest for the JVC, whereas Mr. Song will contribute US\$2,050,000 in cash for 17% of equity interest in the JVC. The cash contribution was determined by the estimated scale of operation of the JVC. It is estimated that US\$6,000,000 will be used in purchasing production equipment and industrial plant, another US\$6,000,000 will be used as cash flow. Therefore, the total cash injection will be US\$12,000,000. China Resources Development and Mr. Song will inject capital, share profits, assets 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.

REASONS FOR ENTERING INTO THE JV AGREEMENT

Mr. Song has extensive experience and expertise in graphite business, and during the past years, he has established a broad sales and marketing channels for graphite and related products. 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 China Resources Development, will contribute US\$9,950,000 to the JVC from its cash reserve. There is no other capital commitment in relation to the formation of the JVC. China Resources Development and Mr. Song will fulfill their cash commitment, whether partially or in a lump sum, within three months after signing of the JV Agreement.

GENERAL

The principal activities of the Company are investment holding, and through its subsidiaries, the Company is currently operated in the following three principal business lines: (1) to develop, explore and produce crude oil in Indonesia and Philippines, (2) to provide electronics manufacturing services in the United Kingdom, and, to a lesser extent, (3) to explore and produce metallic, nonmetalliferous ores and their related products, particularly graphite at present, in China, and market and sell worldwide.

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

“China Resources Development”	China Resources Development Group Limited, a subsidiary 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
“Directors”	the board of directors of the Company
“Group”	the Company and its subsidiaries
“Mr. Song”	Mr. Song Xiu Qiang, a party to the JV Agreement
“JV Agreement”	a joint venture agreement of 2 October 2007 entered into between China Resources Development and Mr. Song
“JVC”	a joint venture company to be established by China Resources Development and Mr. Song
“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

2 October 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.