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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

The Directors of the Company announce that on 21 May 2008, Global Select entered into a JV Agreement with the Investor to form a joint venture company in the Cayman Islands. The Investor shall contribute US\$55,000,000 for 85% of equity interest in the JVC, whereas Global Select shall contribute the equity interests in the Subsidiaries with a total consideration of US\$9,700,000, being their respective registered capital as follows:

- 1) transfer to the JVC 100% of its equity interest in Comp Assets;
- 2) transfer to the JVC 100% of its equity interest in PT. Global; and
- 3) transfer to the JVC 70% of its equity interest in Mega Resources.

Global Select will own 15% of equity interest in the JVC.

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

THE JV AGREEMENT DATED 21 MAY 2008

Parties to the Agreement:

Investor: Edison International Inc., a U.S. based company which involves in financial investment including bonds, securities, as well as industries such as mining resources 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.

Global Select

Information of Comp Assets

Comp Assets is wholly owned by Global Select. Comp Assets holds 100% equity interest in SSP (Philippines), which has the right to explore and exploit oil and gas in the Agusan-Davao Basin in Davao Province, south of the Philippines.

Information of PT. Global

PT. Global, a wholly-owned subsidiary of Global Select, has the right to acquire a majority interest in PT. Cahaya Batu Raja Blok ("CBRB"), which is the operating entity to explore and develop petroleum and natural gas in the Air Komerling Blok in

Indonesia. As of the date of this announcement, the acquisition has not yet been consummated.

Information of Mega Resources

Mega Resources, a 70%-owned subsidiary of the Company, was formed to acquire 100% registered capital, equity and rights of Chengdu An Xiao Mining Company Limited for 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), wherein mines of multi-minerals, such as graphite, copper, zinc, have been found.

For the two years ended 31 December 2006 and 31 December 2007 SSP (Philippines) had no business turnover, and it recorded losses of US\$728,216 and US\$149,623 respectively, while PT. Global and Mega Resources recorded no profit or loss for the previous two years. For the year ended 31 December 2007, the net asset value of Comp Assets recorded (US\$677,884), while PT Global was US\$500,000 and Mega Resources was US\$12,820,000 (70% held by the Company, i.e. US\$9,000,000).

The Transaction

On 21 May 2008, Global Select entered into a JV Agreement with the Investor to form a joint venture company in the Cayman Islands. The Investor shall contribute US\$55,000,000 for 85% of equity interest in the JVC, whereas Global Select shall contribute the equity interests in the Subsidiaries with a total consideration of US\$9,700,000, being their respective registered capital as follows:

- 1) transfer to the JVC 100% of its equity interest in Comp Assets;
- 2) transfer to the JVC 100% of its equity interest in PT. Global; and

3) transfer to the JVC 70% of its equity interest in Mega Resources.

Global Select will own 15% of equity interest in the JVC. The JVC will not be consolidated into the financial statements of the Group, and will be booked as an investment. And the Subsidiaries will cease to be subsidiaries of the Company after the establishment of the JVC. Under the JV Agreement, the Company and the Investor will share profit of the JVC according to their shareholding percentage in the JVC.

The consideration of the Subsidiaries was based on their respective share capital and financial statements as at 31 December 2007 audited by the independent auditor. Since their establishment, the Subsidiaries have had no business turnover. The Company and Investor agreed that the consideration of the Subsidiaries be based on the respective share capital.

The Investor to the JV Agreement has agreed that (a) the Investor will be responsible for all the future capital needs of the JVC, (b) the JVC will assume all the liabilities of Comp Assets, PT Global and Mega Resources, and (c) in case of an initial public offering (“IPO”) of the shares of the JVC, the value of the 15% equity interest in the JVC held by the Company shall not be less than US\$30,000,000 based on the IPO price.

There will be a gain of approximately US\$900,000 resulting from the Transaction based on the difference between the US\$9,700,000 consideration and the total amount of net assets of approximately US\$8,800,000.

Conditions

There is no precedent condition for the Transaction. No long stop date is set in respect of the Agreement.

Reasons for the Transaction

The Company intends to concentrate its limited resources on those oil fields and graphite mines already in production, whereas the assets proposed to be contributed to the JVC are still at the exploration stage, which require substantial amounts of capital investment to realize their full potential. Since (a) the Investor will be responsible for all the future capital needs of the JVC, (b) the JVC will assume all the liabilities of Comp Assets, PT Global and Mega Resources, and (c) in case of an initial public offering (“IPO”) of the shares of the JVC, the value of the 15% equity interest in the JVC held by the Company shall not be less than US\$30,000,000 based on the IPO price, the future financial risks will be assumed by the Investor, while the Company will be entitled to all the benefits if the JVC becomes successful.

If the Company continues to operate the Subsidiaries, a great amount of fund will be needed but the results are uncertain. The establishment of the JVC spares the Company all the future capital injection to the Subsidiaries, while it gives the Company an opportunity to share profit if the JVC becomes successful. The Directors (including independent non-executive directors) consider the US\$9,700,000 consideration for 15% equity interest in the JVC 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

The Company confirms that to the best of the directors’ knowledge, information and belief having made all reasonable enquiries, whether the Investor or 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, provides electronics manufacturing services in the United Kingdom, and explores and produces graphite in China.

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

DEFINITION

“Comp Assets”	Comp Assets International Limited, an indirectly wholly-owned subsidiary of the 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
“Investor”	Edison International Inc., a U.S. based company
“JV Agreement”	a joint venture agreement of 21 May 2008 has been reached between Global Select and the Investor.
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mega Resources”	Mega Resources International Enterprises Limited, an indirectly non wholly-owned subsidiary of the Company incorporated in Hong Kong
“PT. Global”	PT. Global Select Indonesia, an indirectly wholly-owned subsidiary of the Company incorporated in Indonesia
“Shareholder(s)”	the shareholders of the Company
“SSP (Philippines)”	South Sea Petroleum (Philippines) Corporation, an indirectly 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
“Subsidiaries”	Comp Assets, PT. Global and Mega Resources
“Transaction”	the establishment of a joint venture company contemplated under the JV Agreement dated 21 May 2008 entered into between the Investor and Global Select

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

Hong Kong, 29 May 2008

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.