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If you are in any doubt as to any aspect of this circular or as to the action to be taken you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in South Sea Petroleum Holdings Limited or both, you should at once hand this circular together with the enclosed form of proxy (for Shareholders only) to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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: 076)

DISCLOSEABLE TRANSACTION

Establishment of a Joint Venture

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DEFINITIONS

“Comp Assets”	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”	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
“Latest Practicable Date”	6 June 2008
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mega Resources”	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



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)

Executive Directors:

Mr. Zhou Ling (*Chairman*)
Ms. Lee Sin Pyung (*Managing Director*)
Ms. Sit Mei

Registered Office:

Unit 6605, 66/F.
The Center
99 Queen's Road Central
Hong Kong

Independent Non-Executive Directors:

Mr. Lu Ren Jie
Mr. Chai Woon Chew
Mr. Ho Choi Chiu

11 June 2008

To the Shareholders

Dear Sir or Madam,

1. INTRODUCTION

On 29 May 2008, the Directors announced that Global Select, a wholly-owned subsidiary of the Company, had entered into a JV Agreement with the Investor to establish a joint venture company in Cayman Islands. The purpose of this document is to give you information relating to the JV Agreement.

2. THE JV AGREEMENT

Date: 21 May 2008

Parties:

1. Global Select, a wholly owned subsidiary of the Company.
2. 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.

LETTER FROM THE BOARD

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 Komering 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)

3. CONDITION PRECEDENT

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

4. 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.

LETTER FROM THE BOARD

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. As such, there is a gain in profit from the Transaction. Though it will be a decrease in assets because the Subsidiaries will cease to be consolidated into the financial statements of the Group, there will be an increase in profit if the JVC generates profit in the future, and a decrease in liabilities since the JVC will assume all the liabilities of the Subsidiaries.

5. REASONS FOR ENTERING INTO THE JV AGREEMENT

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 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.

LETTER FROM THE BOARD

6. INDEPENDENCE OF THE 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.

7. 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.

By order of the board of directors
South Sea Petroleum Holdings Limited
Zhou Ling
Chairman

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement contained herein misleading.

DISCLOSURE OF INTERESTS**(a) Disclosure of Interests by the Directors**

- (i) As at the Latest Practicable Date, the interests of each of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (b) which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Directors' long position in Shares of the Company

Name of Director	Number of Shares beneficially held and nature of interest		Total shareholding	Approximate Percentage to the issued share capital of the Company as at the Latest Practicable Date
	Directly beneficially owned	Through controlled corporation		
Mr. Zhou Ling	–	32,000,000	32,000,000	0.29%

Note: 32,000,000 Shares in the Company are held by Palmsville Equities, Inc., a company beneficially owned by Mr. Zhou Ling, the Chairman and executive director of the Company. Mr. Zhou is also a director of Palmsville Equities, Inc.

- (ii) save as disclosed herein, as at the Latest Practicable Date none of the Directors and the chief executive of the Company had any interest or short positions in the shares or underlying shares or interest in debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or

deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange;

- (iii) as at the Latest Practicable Date, none of the Directors had any interest or short positions in the shares or underlying shares which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO;
- (iv) as at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group; and
- (v) as at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

(b) Disclosure of Interest by the Substantial Shareholders

- (i) So far as known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the persons (other than the Directors or chief executive of the Company) having interests or short positions in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Shareholders' long position in the Shares of the Company

Name of Shareholder	Number of Shares beneficially held and nature of interest		Total shareholding	Approximate Percentage to the issued share capital of the Company as at the Latest Practicable Date
	Directly beneficially owned	Through controlled corporation		
Palmsville Equities, Inc.	–	32,000,000	32,000,000	0.29%

Note: Palmsville Equities, Inc. is wholly and beneficially held by Mr. Zhou Ling, the Chairman and executive director of the Company. Mr. Zhou is also a director of Palmsville Equities, Inc.

- (ii) save as disclosed above, there was no person known to the Directors or the chief executive of the Company, other than the Directors or the chief executive of the Company, who, as at the Latest Practicable Date, had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; and

- (iii) as at the Latest Practicable Date, there was no person known to the Directors or the chief executive of the Company, other than the Directors or the chief executive of the Company, who, as at the Latest Practicable Date, was, directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the directors of the Company (including their respective associates) are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or arbitration of material importance is pending or threatened against the Company or any of its subsidiaries.

GENERAL

- (a) The registered office of the Company is Unit 6605, 66/F., The Center, 99 Queen's Road Central, Hong Kong.
- (b) The secretary of the Company is Ms. Lam Lee Yu, a qualified chartered secretary who is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.
- (c) The qualified accountant of the Company is Mr. William Ho, a fellow of Hong Kong Institute of Certified Public Accountants.
- (d) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited located at 46/F., Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text.