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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)

**AMENDMENTS OF TERMS TO
US\$250,000,000 CONVERTIBLE DEBENTURES**

Reference is made to the announcements dated 4 April 2011 and 6 January 2012, and the circular dated 18 April 2011 and 16 February 2012.

The board of directors of South Sea Petroleum Holdings Limited announces the Company and the Investor have entered into the Amendment Agreement C on 3 October 2012.

The Amendment Agreement C is to amend the terms in the Amendment Agreement B dated 6 January 2012, with major changes as follows:

(1) the range of floating conversion price per share shall be based on the market price:

Upper side: no limit

Lower side: changed from HK\$0.10 to HK\$0.01

(2) the amount of net proceeds to be used in the development of graphite business will be changed from US\$115,000,000 to US\$200,000,000, and the Company will act pursuant to the memorandum of understanding (disclosed in the announcement dated 30 July 2012) that the Company will give favorable consideration to the graphite ore suppliers recommended by the Investor, as long as the price is lower than the market price and the quality meets production requirements; and

(3) the Investor will complete the entire subscription from the end of 2014 to 30 June 2014.

Save for the above, the terms in the subscription agreement of 4 April 2011 (except for those terms that were amended in the Amendment Agreement B) and the Amendment Agreement B of 6 January 2012 shall remain unchanged. The new Shares will be issued and allotted under the special mandate given by the Shareholders on 7 March 2012. The Listing Committee has given its approval to the listing of, and the permission to deal in, the new Shares on 9 March 2012. Shareholders' approval to the Amendment Agreement C will be sought at the EGM.

Before the completion of the Amendment Agreement C, the parties shall continue to perform according to the subscription agreement of 4 April 2011 and the Amendment Agreement B of 6 January 2012.

A circular containing, among other matters, further details of the Amendment Agreement C together with a notice convening the EGM for the Shareholders to consider and (if thought fit) approve, among other matters, the amendments contemplated thereunder will be dispatched to the Shareholders who elected to receive the printed version of the corporate communication, and be published on the Stock Exchange's and the Company's websites as soon as practicable.

BACKGROUND

Reference is made to the announcements dated 4 April 2011 and 6 January 2012, and the circular dated 18 April 2011 and 16 February 2012.

Subscription Agreement dated 4 April 2011

On 4 April 2011, the Company entered into a subscription agreement with the Investor for US\$250,000,000 3% interest 10-year Debentures due 2021. Shareholders gave a special mandate on 11 May 2011 that a maximum number of 500,000,000 new Shares to be issued and allotted. The calculation was based on the then par value of US\$0.50 of the Company's Shares. As of the date of this announcement, Investor has invested approximately US\$17,611,538 and has converted approximately US\$17,557,038 debentures and there are approximately US\$232,442,962 outstanding debentures.

Amendment Agreement B dated 6 January 2012

Two amendments were made in the Amendment Agreement B dated 6 January 2012: (1) the total number of conversion shares (for the whole US\$250,000,000 debentures) will not exceed 7,500,000,000 Shares; and (2) the flexible payment schedule was changed to specific payment day, i.e. the Investor will complete the payment for US\$250,000,000 debentures (by one or more installments) on or before 31 December 2014.

Amendment Agreement C dated 3 October 2012

Due to continuous decreasing in price of the Company's Shares, the Investor requested to enter into the Amendment Agreement C with major changes in terms as follows:

- (1) the range of floating conversion price per share shall be based on the market price:

Upper side: no limit

Lower side: changed from HK\$0.10 to HK\$0.01

- (2) the amount of net proceeds to be used in the development of graphite business will be changed from US\$115,000,000 to US\$200,000,000, the Company will act pursuant to the memorandum of understanding (disclosed in the announcement dated 30 July 2012) that, the Company will give favorable consideration to the graphite ore suppliers

recommended by the Investor, as long as the price is lower than the market price and the quality meets production requirements;

- (3) the Investor will complete the entire subscription from the end of 2014 to 30 June 2014.

Save for the above, the terms in the subscription agreement of 4 April 2011 (except for those terms that were amended in the Amendment Agreement B) and the Amendment Agreement B of 6 January 2012 shall remain unchanged.

Completion of the Amendment Agreement C is subject to the Shareholders granting their approval to the Amendment Agreement C at the EGM. Pursuant to the Amendment Agreement C, no long stop date is set as a condition precedent. Before the completion of the Amendment Agreement C, the parties shall continue to perform according to the subscription agreement of 4 April 2011 and the Amendment Agreement B of 6 January 2012.

Reason for Entering into the Amendment Agreement C

Due to the continuous decreasing in price of the Company's Shares to below the lower conversion price limit of HK\$0.10, the Investor raised its lack of incentive to make any conversion.

The Company still hopes to encourage the Investor to continue investing in the Company and welcome its conversion of the debentures which turn liability into equity. The Directors (including the independent non-executive directors) regard the Amendment Agreement C in the interest of the Company and its shareholders as a whole.

New Shares Issued and Allotted under the Special Mandate

The new Shares will be issued and allotted under the special mandate given by the Shareholders on 7 March 2012. And the Listing Committee has given its approval to the listing of, and the permission to deal in, the new Shares on 9 March 2012. Shareholders' approval to the Amendment Agreement C will be sought at the EGM.

EGM

An EGM will be convened to obtain the Shareholders' approval of the Amendment Agreement C. A circular together with an EGM notice will be published on the websites of the Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) and the Company (www.southseapetro.com.hk) and will be dispatched to the Shareholders who elected to receive printed version of corporate communication as soon as practicable.

Information of the Company

The principal activities of the Company are investment holding, and through its subsidiaries, the Company develops, explores and produces crude oil and graphite in Indonesia and China, and provides electronics manufacturing services in the United Kingdom.

DEFINITIONS

“Amendment Agreement B”	the amendment agreement entered into between the Company and the Investor on 6 January 2012 to amend certain terms in the subscription agreement of 4 April 2011
“Amendment Agreement C”	the amendment agreement entered into between the Company and the Investor on 3 October 2012 to amend certain terms in the Amendment Agreement B
“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
“EGM”	an extraordinary general meeting to be held to seek the Shareholders' approval to the Amendment Agreement C
“Investor ”	RTM Financial Corp., a private company which subscribed an aggregate of US\$250,000,000 3% interest Debentures on 4 April 2010
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	the ordinary shares of the Company, with par value US\$0.001 each

“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
South Sea Petroleum Holdings Limited
Vivian Lam
Company Secretary

Hong Kong, 3 October 2012

As at the date of this announcement, the board of directors comprises of Mr. Guan Xin Min, Ms. Lee Sin Pyung and Ms. Zhang Xue being executive directors, Mr. Lu Ren Jie, Mr. Chai Woon Chew and Mr. Ho Choi Chiu being independent non-executive director.