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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 TO US\$100,000,000
AND
US\$250,000,000 CONVERTIBLE DEBENTURES

The board of directors of South Sea Petroleum Holdings Limited announces that two amendment agreements were entered into between the Company and the Investors on 6 January 2012.

1. Amendment Agreement A for US\$100,000,000 6% convertible debentures

Reference is made to the announcements dated 9 December 2009 and 2 June 2010, and the circular dated 18 December 2009. Under the subscription agreement of 9 December 2009, the conversion price of US\$100,000,000 6% convertible debentures shall be HK\$3.875 (or US\$0.50, the then par value of the Company's Shares before the completion of capital reduction on 19 November 2011). Three amendments were made in the Amendment Agreement A: (1) the interest rate be changed from 6% to 3% per annum; (2) the conversion price shall be adjusted from HK\$3.875 (fixed price) to floating market prices, and the total number of conversion shares (for the whole US\$100,000,000 debentures) will not exceed 3,000,000,000 Shares; and (3) be changed from flexible payment schedule to specific payment day, i.e. the Investor A will complete the payment for US\$100,000,000 debentures (by one or more installments) on or before December 31, 2013.

2. Amendment Agreement B for US\$250,000,000 3% convertible debentures

Reference is made to the announcement dated 4 April 2011 and the circular dated 18 April 2011. Under the subscription agreement of 4 April 2011, a maximum number of 500,000,000 new Shares could be issued and allotted. The conversion price shall be floating market prices.

Two amendments were made in the Amendment Agreement B: (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) be changed from flexible payment schedule to specific payment day, i.e. the Investor B will complete the payment for US\$250,000,000 debentures (by one or more installments) on or before December 31, 2014.

Investors or any subsequent debenture holders will not hold more than 5% of the conversion shares. If any debenture holder holding more than 5% after any conversion, they have to sell part of their Shares in the open market or transfer the same to third parties to ensure their shareholding remain below 5%. Therefore, no substantial shareholders will be introduced to the Company (as defined under the Listing Rules).

Save for the above, the terms in the subscription agreements of 9 December 2009 and 4 April 2011 remain unchanged. An application for the listing of and permission to deal in the new Shares will be made to the Stock Exchange.

The new Shares will be issued and allotted under the special mandate to be sought at the EGM of the Company. A circular containing, among other matters, further details of the amendments 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 despatched to the Shareholders who elected to receive the printed version of the corporate communication, and

1. US\$100,000,000 6% convertible debentures

Background

Reference is made to the announcements dated 9 December 2009 and 2 June 2010, and the circular dated 18 December 2009. On 9 December 2009, the Company entered into a subscription agreement with the Investor A for an aggregate amount of US\$100,000,000 6% interest convertible debentures due 2015. Under the subscription agreement, the conversion price of the convertible debentures shall be HK\$3.875 (or US\$0.50, the then par value of the Company's Shares before the completion of capital reduction effective on 19 November 2011). As of the date of this announcement, Investor A has invested approximately US\$41,460,294, and has converted approximately US\$41,283,653 debentures (and there is approximately US\$58,716,347 outstanding debentures).

Amendments

Three amendments were made in the Amendment Agreement A: (1) the interest rate be changed from 6% to 3% per annum; (2) the conversion price shall be adjusted from HK\$3.875 (fixed price) to the market share price, i.e. the higher of (i) 90% of the average closing price of the Shares of any five (5) consecutive trading days (as selected by the debenture holder) within the sixty (60) trading days immediately prior to the conversion date and (ii) the effective par value of US\$0.001 of the Shares; and the total number of conversion shares (for the whole US\$100,000,000 debentures) will not exceed 3,000,000,000 Shares; and (3) be changed from flexible payment schedule to specific payment day, i.e the Investor A will complete the payment for US\$100,000,000 debentures (by one or more installments) on or before December 31, 2013.

Suppose a debenture holder elects from 29 December 2011 to 5 January 2012 as the five consecutive trading days to convert the Shares and 90% of the average of the closing price of the Shares of the five consecutive trading days will be HK\$0.212, which is:

- (i) a discount of approximately 1.39% over the closing price of HK\$0.215 per Share

- as quoted on the Stock Exchange on 6 January 2012, being the date of this announcement;
- (ii) a discount of approximately 9.78% over the average closing price of HK\$0.235 per Share as quoted on the Stock Exchange over the five consecutive trading days immediately prior to the date of this announcement;
- (iii) a discount of approximately 10.55 % over the average closing price of HK\$ 0.237 per Share as quoted on the Stock Exchange over the ten consecutive trading days immediately prior to the date of this announcement.

2. US\$250,000,000 3% convertible debentures

Background

Reference is made to the announcement dated 4 April 2011 and the circular dated 18 April 2011. On 4 April 2011, the Company entered into a subscription agreement with Investor B 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 that can 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 B has invested approximately US\$12,803,846 and has converted approximately US\$11,308,974 debentures and there is approximately US\$238,691,026 outstanding debentures.

Amendments

Two amendments were made in the Amendment Agreement B: (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) be changed from flexible payment schedule to specific payment day, i.e. the Investor B will complete the payment for US\$250,000,000 debentures (by one or more installments) on or before December 31, 2014.

Save for the above, the terms in the subscription agreements of 9 December 2009 and 4 April 2011 remain unchanged.

Completion of the Amendment Agreements is subject to:

1. the Shareholders granting their special mandates to the Directors to issue the conversion Shares;
2. the Listing Committee of the Stock Exchange granting approval for listing of, and permission to deal in, the conversion Shares.

Pursuant to the Amendment Agreements, no long stop date is set as a condition precedent.

3. Reason for entering into the amendment agreements

Investor A raised that the fixed conversion price of HK\$3.875 is far too high than the recent market share price of the Company and is unfair to investors even though Investor A still has confident in the future of the Company and has performed its obligation under the subscription agreement in good faith. Investor A expressed a lack of interest to continue subscription.

Under the current economic environment, the Company hopes that both Investor A and Investor B continue to invest in the Company and welcome their conversion of the debentures which turn liability to capital. The Directors (including the independent non-executive directors) regard the amendment agreements are in the interest of the Company and its shareholders as a whole.

Investors or any subsequent debenture holders will not hold more than 5% of the conversion shares. If any debenture holder holding more than 5% after any conversion, they have to sell part of their shares in the open market or transfer the same to third parties to ensure their shareholding remain below 5%. Therefore, no substantial shareholders (as defined under the Listing Rules) will be introduced to the Company.

Listing approval

An application for the listing of and permission to deal in the new Shares will be made to the Stock Exchange.

EGM

An EGM will be convened to obtain Shareholders' approval of the special mandates. 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 despatched 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 United Kingdom.

DEFINITIONS

“Amendment Agreement A”	amendment agreement entered into between the Company and Investor A on 6 January 2012
“Amendment Agreement B”	amendment agreement entered into between the Company and Investor B on 6 January 2012
“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
“Investors”	Kelton Capital Group Limited and their subsequent debenture transferees; and RTM Financial Corp. and their subsequent debenture transferees
“Investor A”	Kelton Capital Group Limited, a private company which subscribed an aggregate of US\$100,000,000 6% interest Debentures on 9 December 2009
“Investor B”	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, 6 January 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.