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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)

ISSUE OF HK\$1,000,000,000 CONVERTIBLE DEBENTURES

The Directors announce that on 30 December 2015, the Company entered into the Agreement with the Subscriber for HK\$1,000,000,000 nil interest 6-year convertible debentures due 2021.

The conversion price of the Debentures shall be HK\$0.125. A maximum number of 8,000,000,000 New Shares can be issued and allotted.

The Company intends to use the net proceed for its subsidiary Unicorn Arts Limited to develop the cultural industrial business and multi-media products, including movies making, TV shows and internet programmes etc.

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

An extraordinary general meeting will be held and convened to obtain the Shareholders' approval of the Agreement and the issue of the New Shares. A circular containing details the Agreement together with an EGM notice will be despatched to the Shareholders (who elected to receive printed copies) as soon as practicable.

ISSUE OF HK\$1,000,000,000 CONVERTIBLE DEBENTURES

Date of the Agreement

30 December 2015

Parties

- The Company
- The Subscriber

Sinocreative Limited, the principal business of which is to produce and distribute cultural and media products, as well as be engaged in financial investment, etc. The Company confirms that, to the best of the directors' knowledge, information and belief, having made all reasonable enquiry, the Subscriber and its ultimate beneficial owner are third parties independent of the Group and connected persons (as defined under the Listing Rules) of the Group.

Principal amount

HK\$1,000,000,000

Maturity date

31 December 2021

Interest

Nil

Completion of the Subscription Agreement

Completion of the Agreement is subject to:

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

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

Conversion

The Debenture Holder(s) shall have the right to convert the principal amount of the Debentures in whole or in part in multiples of HK\$10,000 into the New Shares at the prescribed conversion price within the conversion period. The New Shares will rank pari passu in all respects with the existing Shares in issue.

Conversion Price

The conversion price shall be HK\$0.125 per Share (without adjustment), which is

- (1) a discount of approximately 2.4% over the closing price of HK\$ 0.128 per Share as quoted on the Stock Exchange on 30 December 2015, being the date of this announcement;
- (2) a discount of approximately 1.6% over the average closing price of HK\$ 0.127 per Share as quoted on the Stock Exchange over the five consecutive trading days immediately prior to the date of this announcement;
- (3) a discount of approximately 0.8% over the average closing price of HK\$ 0.126 per Share as quoted on the Stock Exchange over the ten consecutive trading days immediately prior to the date of this announcement.

Effect of Conversion and Substantial Shareholder

The New Shares will be issued under the special mandate granted by the Shareholders at the EGM of the Company. Pursuant to the Agreement, a maximum number of 8,000,000,000 New Shares will be issued and allotted, which represent 542.95% of the existing shares in issue of the Company as of the date of the Agreement, and represent 84.45% of the issued shares as enlarged by the issue of the New Shares. Pursuant to the Agreement, none of the Debenture Holder shall be allowed to own, directly or indirectly, 5% or more of Shares in the Company's issued share capital from time to time under any circumstances. If any Debenture Holder's Shares in the Company shall have exceeded 5% or more of the Company's issued share capital as enlarged by the issue of the New Shares after any conversion of New Shares, they are obliged to sell their Shares to independent third parties or sell the Shares in the open market before they convert any Debentures into additional New Shares, to maintain their shareholding level always below 5% in the Shares of the Company after conversion. In each conversion, Debenture Holder is required to provide an undertaking letter to the Company informing the Company of their shareholding immediately before and after such conversion, and undertaking that they will be holding less than 5% of the Company's Shares after such conversion. Therefore no substantial shareholder, as defined under the Listing Rules, will be introduced to the Company as a result of the conversion of the New Shares.

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

Fund Raising Activity During the Previous 12 Months

During the previous 12 months immediately preceding the date of the Agreement, a one year nil interest HK\$45,980,000 convertible debentures was issued and fully converted into the Shares of the Company. The net proceed approximately HK\$43,600,000 was used for the Company's wholly owned subsidiary Unicorn Arts Limited to develop the cultural industrial business and multi-media products, including making movies, TV shows and internet programmes etc.

Voting Rights of Debenture Holder

Debenture Holder does not have any voting rights in Shareholders' meetings of the Company.

Transfer of Debentures

The Debentures will not be listed on the Stock Exchange or any other stock exchanges outside Hong Kong. It may only be assigned or transferred to associates of the Subscriber or such other transferees approved in advance by the Company. The Company will disclose to the Stock Exchange should any Debentures be transferred to any connected persons (as defined under the Listing Rules) of the Group immediately upon the Company becoming aware of such transfer.

Undertaking of the Directors

The Directors have undertaken to the Stock Exchange that the Company will disclose to the Stock Exchange any dealings in the Debentures made by any connected persons of the Group (as defined under the Listing Rules) immediately upon the Company becoming aware of such dealing.

Reasons for Issue of Debentures

The Company believes that cultural industries have good market prospect; and the development of cultural industrial business may bring in new income streams to the Company. With the conversion price of HK\$0.125 without interest expense is a condition acceptable to the Company. Therefore the Directors (including the independent non-executive directors of the Company) consider the issue of HK\$1,000,000,000 nil interest Debentures and the Agreement is appropriate, fair, reasonable and in the best interest of the Company and its Shareholders as a whole.

Use of Net Proceeds

The net proceed of approximately HK\$950,000,000 is intended to be used, through Unicorn Arts Limited, the wholly owned subsidiary of the Company, in the development of cultural and multi-media business.

EGM

An EGM will be held and convened to obtain the Shareholders' approval of the Agreement and the issue of 8,000,000,000 New Shares. A circular containing details of the Agreement 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, as well as develops of cultural industry business and multi-media production.

DEFINITIONS

“Agreement”	The subscription agreement entered into between the Company and the Subscriber on 30 December 2015 for HK\$1,000,000,000 6-year nil interest convertible debentures
“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
“Debentures”	the HK\$1,000,000,000 6-year nil interest convertible debentures issued under the Agreement
“Debenture Holder”	the Subscriber or any subsequent holder(s) of the convertible debentures issued under the Agreement
“Directors”	the board of directors of South Sea Petroleum Holdings Limited
“EGM”	an extraordinary general meeting to be held to seek the Shareholders’

	approval to the Agreement and the issue of the New Shares
“Group”	the Company and its subsidiaries
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“New Shares”	A maximum number of 8,000,000,000 New Shares to be converted under the Agreement.
“Share(s)”	ordinary shares in the capital of the Company
“Shareholder(s)”	holder(s) of the existing shares of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscriber”	Sinocreative Limited

By order of the Board of
South Sea Petroleum Holdings Limited
Vivian Lam
Company Secretary

30 December 2015, Hong Kong,

As at the date of this announcement, the board of directors comprises of Mr. Feng Zhong Yun and Ms. Zhang Xue being executive directors; Mr. Han Zhi Jun, Mr. Lu Ren Jie, Mr. Chai Woon Chew and Mr. Ng Lai Po being independent non-executive directors.