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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\$45,980,000 CONVERTIBLE DEBENTURES

UNDER GENERAL MANDATE

The Directors announce that on 3 November 2015, the Company entered into a Subscription Agreement with the Subscriber for HK\$45,980,000 nil interest 1-year Debentures due 2016.

The Conversion Price shall be HK\$0.22. A maximum number of 209,000,000 New Shares can be issued and allotted under the general mandate given by the Shareholders of the Company at the annual general meeting held on 26 June 2015.

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

ISSUE OF HK\$45,980,000 CONVERTIBLE DEBENTURES

Date of Subscription Agreement

3 November 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\$45,980,000

Maturity Date

3 November 2016

Interest

Nil

Completion of the Subscription Agreement

Completion of the Subscription Agreement is subject to the Listing Committee of the Stock Exchange granting approval for listing of, and permission to deal in, the New Shares. Since the duration period of the Debentures is short, pursuant to the Subscription Agreement, no long stop date is set as a condition precedent.

Conversion

Debenture Holder 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 fixed at HK\$0.22 per Share with no adjustment, and HK\$0.22 is determined based on the recent prices of the Company's Shares, which is

- (i) a premium of approximately 3.18% over the closing price of HK\$ 0.213 per Share as quoted on the Stock Exchange on 3 November 2015, being the date of this announcement;
- (ii) a premium of approximately 2.73% over the average closing price of HK\$0. 214 per Share as quoted on the Stock Exchange over the five consecutive trading days immediately prior to the date of this announcement;
- (iii) a premium of approximately 3.18% over the average closing price of HK\$ 0.213 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

The New Shares will be issued under general mandate granted by the Shareholders at the annual general meeting held on 26 June 2015. Assuming the Debentures are fully exercised and converted, a maximum number of 209,000,000 New Shares will be issued and allotted, which represent 16.56% of the existing 1,261,920,248 issued shares of the Company as of the date of the Subscription Agreement, and represent 14.21% of the issued shares as enlarged by the issue of the New Shares. Pursuant to the Subscription 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 immediate 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.

During the previous 12 months immediately preceding the date of the Subscription Agreement, there is no fund raising activity.

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

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\$0.22 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\$45,980,000 1-year nil interest Debentures appropriate, fair, reasonable and in the best interest of the Company. The Directors consider that the Subscription Agreement is fair and reasonable as far as the Company and its Shareholders are concerned, and the Subscription Agreement is in the best interest of the Company and its Shareholders as a whole.

Expenses Incurred from the Issue of Debentures and the Use of Net Proceeds

After deducting expenses arise from the issue of shares and administration, the net proceed of HK\$43,600,000 will be used in development of, through the Company's wholly owned subsidiary Unicorn Arts Limited, cultural and arts productions, including making movie, television and internet programs etc., multi-media productions.

Issue of New Shares under General Mandate

The New Shares will be allotted and issued under the general mandate (the "General Mandate") which was given by the Shareholders at the annual general meeting held on 26 June 2015, in which the Directors were allowed to issue and allot 209,744,475 Shares. No Share has been issued under the General Mandate since then.

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

“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
“Completion Date”	one business day following the date on which the Stock Exchange has granted the listing approval for the New Shares
“Conversion Period”	the period commencing from the day immediate after the Completion Date to 4:00 p.m. (Hong Kong time) on the Maturity Date
“Conversion Price”	HK\$0.22 per Share
“Debentures”	an aggregate of HK\$45,980,000 nil interest convertible debentures due 2016
“Debenture Holder”	the Subscriber or any debenture transferees who hold the Debentures issued pursuant to the Subscription Agreement dated 3 November 2015
“Directors”	the board of directors of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“New Shares”	a maximum of 209,000,000 New Shares issuable upon the exercise of the conversion rights attached to the Debentures
“Share(s)”	the ordinary shares 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, a company which subscribed an aggregate of HK\$45,980,000 nil interest Debentures on 3 November 2015 pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement dated 3 November 2015 entered into between the Company and the Subscriber for an aggregate of HK\$45,980,000 nil interest Debentures due 2016

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

Hong Kong, 3 November 2015

As at the date of this announcement, the board of directors comprised 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.