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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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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of South Sea Petroleum Holdings Limited.

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)

**ISSUE OF HK\$1,000,000,000 CONVERTIBLE DEBENTURES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening an Extraordinary General Meeting of South Sea Petroleum Holdings Limited to be held at Unit 1, G/F., The Center, 99 Queen's Road Central, Hong Kong on 11 February 2016 at 11 a.m. (the "Meeting") is set out on page 8 of this circular. Whether or not you are able to attend the Meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, 46/F., Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Meeting or any adjourned meeting if you so desire.

22 January 2016

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RESPONSIBILITY STATEMENT

This document, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Agreement”	the subscription agreement dated 30 December 2015 which was entered into between the Company and the Subscriber for HK\$1,000,000,000 nil interest 6-year convertible debentures
“Board/Directors”	the board of directors of South Sea Petroleum Holdings Limited
“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
“Conversion Period”	the period commencing from the next day immediately after the Stock Exchange of Hong Kong Limited granting the listing of and the permission to deal in the New Shares up to 4:00 p.m. (Hong Kong time) on the Maturity Date, i.e. 31 December 2021
“Debenture Holder/Debenture Holder(s)”	the Subscriber and/or its subsequent holder(s) of the Debentures
“Debentures”	the HK\$1,000,000,000 nil interest convertible debentures due on 31 December 2021
“EGM”	an extraordinary general meeting to be held to seek the Shareholders’ approval of the Agreement and the issue of the New Shares
“Latest Practicable Date”	15 January 2016
“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

LETTER FROM THE BOARD

SSP  **南海石油**
SOUTH SEA PETROLEUM HOLDINGS LIMITED
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(Incorporated in Hong Kong with limited liability)
(Stock Code: 076)

Executive Directors:

Mr. Feng Zhong Yun (*Managing Director*)
Ms. Zhang Xue

Independent Non-Executive Directors:

Mr. Han Zhi Jun (*Vice-Chairman*)
Mr. Lu Ren Jie
Mr. Chai Woon Chew
Mr. Ng Lai Po

Registered Office:

Unit 1002, 10/F
Euro Trade Centre
21-23 Des Voeux Road
Central
Hong Kong

22 January 2016

To the Shareholders

Dear Sir or Madam,

Reference is made to the announcement dated 30 December 2015, the Directors announced that the Agreement was entered into between the Company and the Subscriber for the issue of HK\$1,000,000,000 Debentures to the Subscriber.

The purpose of this circular is to provide you with information in relation the Agreement, and to seek approval from the Shareholders to approve the Agreement and the issue of the New Shares. No Shareholders have a material interest in the issue of Debentures; therefore no Shareholders will be required to abstain from voting at the EGM.

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

On 30 December 2015, the Company has entered into a subscription agreement with the Subscriber which subscribes HK\$1,000,000,000 nil interest convertible debentures due 2021.

Date of the Agreement

30 December 2015

LETTER FROM THE BOARD

Parties

- The Company
- The Subscriber

Sinocreative Limited (the “Subscriber”), the principal business of which is to produce and distribute cultural and media products, as well as be engaged in financial investment, etc. The Subscriber is the distributor of the informercial movie “Pegasus”.

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

Conditions of the Issue of the Debentures

The issue of the Debentures is subject to the following conditions:

- (a) the Shareholders’ approving the Agreement and the issue of the New Shares at the EGM;
- (b) the Listing Committee of the Hong Kong Stock Exchange granting listing of and permission to deal in the New Shares.

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.

LETTER FROM THE BOARD

Conversion Price

The conversion price is fixed at HK\$0.125 per Share (without adjustment), which is:

- (1) a premium of approximately 8.80% over the closing price of HK\$0.114 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (2) a premium of approximately 7.20% over the average closing price of HK\$0.116 per Share as quoted on the Stock Exchange over the five consecutive trading days immediately prior to the Latest Practicable Date;
- (3) the same price of the average closing price of HK\$0.125 per Share as quoted on the Stock Exchange over the ten consecutive trading days immediately prior to the Latest Practicable Date.

The conversion price (with no adjustment and is acceptable to the Subscriber) was determined based on the average closing prices over five and ten consecutive trading days immediately precedent the date of the Agreement.

Dilution 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 Latest Practicable Date, 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 listing of and permission to deal in the New Shares will be made to the Stock Exchange.

LETTER FROM THE BOARD

Shareholding Structure of the Company Before and After the Exercise of Conversion Rights Attached to the Debentures

	Immediately before the Debentures be converted into any New Shares		Assuming Debenture Holders of HK\$1,000,000,000 Debentures elect to fully convert their Debentures	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Public:				
1. Debenture Holders of the outstanding HK\$1,000,000,000 Convertible Debentures	0	0	8,000,000,000	84.45
2. Other Public	<u>1,473,429,078</u>	<u>100.00</u>	<u>1,473,429,078</u>	<u>15.55</u>
Total	<u><u>1,473,429,078</u></u>	<u><u>100.00</u></u>	<u><u>9,473,429,078</u></u>	<u><u>100.00</u></u>

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.

LETTER FROM THE BOARD

History of Fund Raising Activities in the Past Twelve 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.

Reasons for Issue of Debentures

With the increasing development of economy in China and with the government support, the film-making industry in China is growing with full speed. The box offices were recording 30% growth in the near consecutive years. The Company intends to make films which on one hand suit the Chinese audience, and to produce multi-media products and internet programmes which open the international markets on the other hand. The Subscriber is the distributor of the infomercial movie "Pegasus" produced by the Company. The Subscriber will, under the same conditions, be first to be considered as distributor to the movies produced by the Company in the future. 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.

Payment Terms of the Debentures

The Subscriber has the right to make subscription of the Debentures one-off or by stages within the Conversion Period. The Subscriber is obliged to fully subscribe the Debentures and as an undertaking the Subscriber will put HK\$1,000,000 up front deposit in the Company's account. The deposit will be refunded only when HK\$1,000,000,000 Debentures are fully subscribed.

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.

LETTER FROM THE BOARD

(2) EGM

The notice of EGM is set out on page 8 of this circular. There is a form of proxy for use at the EGM accompanying this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

The resolution proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company on the results of the EGM.

(3) RECOMMENDATION

The Directors consider that the issue of HK\$1,000,000,000 Debentures are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution at the EGM.

For and on behalf of
South Sea Petroleum Holdings Limited
Feng Zhong Yun
Managing Director

NOTICE OF EGM

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(Incorporated in Hong Kong with limited liability)
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NOTICE IS HEREBY GIVEN that an extraordinary general meeting of South Sea Petroleum Holdings Limited (the “Company”) will be held at 11 a.m. on 11 February 2016 at Unit 1, G/F., The Center, 99 Queen’s Road Central, Hong Kong for the purpose of considering and if thought fit, passing, with or without modifications, the following resolution which will be proposed as ordinary resolution:

ORDINARY RESOLUTION

“THAT

- (a) the Agreement (as defined in the circular of the Company dated 22 January 2016 (the “Circular”) despatched to shareholders of the Company) dated 30 December 2015 in relation to the issue of HK\$1,000,000,000 nil interest convertible debentures due 31 December 2021 be and is hereby approved, confirmed and ratified;
- (b) the directors of the Company be and are hereby authorized to take all steps necessary or expedient in their opinion to implement and/or give effect to the terms of the Agreement including (without limitations) the issue of the maximum of 8,000,000,000 New Shares (as defined in the Circular).”

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

Hong Kong, 22 January 2016

Notes:

- (i) A member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- (ii) Where there are joint holders of any share of the Company, any one of such joint holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the Register of Members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (iii) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited at 46/F., Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not less than 48 hours before the time appointed for holding the Meeting.