

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement appears 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.*



**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\$600,000,000 CONVERTIBLE DEBENTURES**

The Directors announce that on 25 April 2018, the Company entered into the Agreement with the Subscriber for HK\$600,000,000 nil interest 10-year convertible debentures due 2028.

The conversion price of the Debentures shall be HK\$0.06. A maximum number of 10,000,000,000 New Shares can be issued and allotted.

The Company intends to use the net proceed to build new graphite production lines in Madagascar.

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\$600,000,000 CONVERTIBLE DEBENTURES**

### **Date of the Agreement**

25 April 2018

### **Parties**

- The Company
- The Subscriber

China Minerals International Limited, a company with principal business of developing and investing in mineral exploration. 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\$600,000,000

### **Maturity date**

25 April 2028

### **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\$0.06 per Share, which is

- (1) a premium of approximately 25% over the closing price of HK\$0.048 per Share as quoted on the Stock Exchange on 25 April 2018, being the date of this announcement;
- (2) a premium of approximately 30.43% over the average closing price of HK\$0.046 per Share as quoted on the Stock Exchange over the five consecutive trading days immediately prior to the date of this announcement;
- (3) a premium of approximately 22.45% over the average closing price of HK\$0.049 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 10,000,000,000 New Shares will be issued and allotted, which represent 200.69% of the existing shares in issue of the Company as of the date of the Agreement, and represent 66.74% 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, the Company did not carry out any fund raising activity.

### **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**

Since the Nobel Prizes were granted to the scientists who discovered graphene, graphite production became a highly valued industry. But graphite ore resource is the base of further development. The production lines that the Company built in Madagascar, a country be rich in large flake graphite mines, solved the problem of scarcity in graphite ore encountered in China, wherein production can only be done for few months within a year. The production lines of the Company in Madagascar need more capital injection. Therefore the Directors (including the independent non-executive directors of the Company) consider the issue of HK\$600,000,000 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

After deducting cost of issuing and administrative expenses, the Company intends to use the net proceed HK\$569,000,000 to build graphite production lines in Madagascar.

## EGM

An EGM will be held and convened to obtain the Shareholders' approval of the Agreement and the issue of 10,000,000,000 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](http://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 Company, through its subsidiaries, is primarily engaged in production and trading of minerals, primarily graphite, worldwide; provision of electronic manufacturing services in the United Kingdom, and development of cultural industrial business.

## DEFINITIONS

“Agreement”	The subscription agreement entered into between the Company and the Subscriber on 25 April 2018 for HK\$600,000,000 10-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\$600,000,000 10-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 10,000,000,000 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”	China Minerals International Limited

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

25 April 2018, 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.*