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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)

AMENDMENTS TO
US\$250,000,000 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 Level 16, Man Yee Building, 68 Des Voeux Road Central, Hong Kong on 20 November 2012 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.

5 November 2012

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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:

“Amendment Agreement B”	the amendment agreement entered into between the Company and the Investor on 6 January 2012 to amend certain terms in the subscription agreement of 4 April 2011
“Amendment Agreement C”	the amendment agreement entered into between the Company and the Investor on 3 October 2012 to amend certain terms in the Amendment Agreement B
“Board”	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
“EGM”	an extraordinary general meeting to be held and convened at 11 a.m., Level 16, Man Yee Building, 68 Des Voeux Road Central, Hong Kong on 20 November 2012
“Investor”	RTM Financial Corp., a private company which subscribed an aggregate of US\$250,000,000 3% interest Debentures on 4 April 2011
“Latest Practicable Date”	31 October 2012
“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
“Supplementary Document”	the supplementary document entered into between the Company and the Investor on 24 October 2012

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Guan Xinmin (*Chairman*)
Ms. Lee Sin Pyung (*Managing Director*)
Ms. Zhang Xue

Registered Office:

Suite 504, 5/F.
Chinachem Tower
34-37 Connaught Road Central
Hong Kong

Independent Non-Executive Directors:

Mr. Lu Ren Jie
Mr. Chai Woon Chew
Mr. Ho Choi Chiu

5 November 2012

To the Shareholders

Dear Sir or Madam,

Reference is made to the announcements dated 4 April 2011, 6 January 2012, 3 October 2012 and 24 October 2012, and the circular dated 18 April 2011 and 16 February 2012.

The purpose of this circular is to provide you with information in relation to the Amendment Agreement C and the Supplementary Document and to seek approval from the Shareholders to approve the terms therein. No Shareholders have a material interest in the Amendment Agreement C and the Supplementary Document, therefore no Shareholders will be required to abstain from voting at the EGM.

BACKGROUND

Subscription Agreement dated 4 April 2011

On 4 April 2011, the Company entered into a subscription agreement with the Investor 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 to be issued and allotted. The calculation was based on the then par value of US\$0.50 of the Company's Shares. As at the Latest Practicable Date, the Investor has invested approximately US\$17,611,538 and has converted approximately US\$17,557,038 debentures and there are approximately US\$232,442,962 outstanding debentures. 500,000,000 new Shares have been converted from US\$250,000,000 debentures, which is 14.96% as compared to 3,343,176,530 Shares, the current issued share capital of the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

Amendment Agreement B dated 6 January 2012

Two amendments were made in the Amendment Agreement B dated 6 January 2012: (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) the flexible payment schedule was changed to specific payment day, i.e. the Investor will complete the payment for US\$250,000,000 debentures (by one or more installments) on or before 31 December 2014.

AMENDMENT AGREEMENT C (DATED 3 OCTOBER 2012) AND THE SUPPLEMENTARY DOCUMENT (DATED 24 OCTOBER 2012)

Parties: – The Company
– The Investor

(together, the “Parties”)

Content of Amendments

Changes in the Amendment Agreement C and the Supplementary Document are as follows:

- (1) the interest rate per annum be changed from 3% to 5%;
- (2) the amount of net proceeds to be used in the development of graphite business will be changed from US\$115,000,000 to US\$200,000,000, the Company will act pursuant to the memorandum of understanding (disclosed in the announcement dated 30 July 2012) that, the Company will give favorable consideration to the graphite ore suppliers recommended by the Investor, as long as the price is lower than the market price and the quality meets production requirements;
- (3) the Investor will complete the entire subscription from the end of 2014 to 30 June 2014.

Terms that remain unchanged

Save for the above, the terms in the subscription agreement of 4 April 2011 (except for those terms that were amended in the Amendment Agreement B) and the Amendment Agreement B of 6 January 2012 shall remain unchanged, including (but not limited to):

Conversion Price

The conversion price shall be 90% of the average closing price of the Shares of any five (5) consecutive trading days (as selected by the debenture holder) within sixty (60) trading days immediately prior to the conversion date, but in any case the conversion price shall not be lower than HK\$0.10 per Share.

LETTER FROM THE BOARD

Conversion Restriction

Investor 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). The Investor and their subsequent transferees of the debentures are prohibited from exercising their conversion rights if any conversion will cause the public float of the Company fall below 25%, in order that the Company must maintain its minimum public float at all time.

Conversion

Debenture holder(s) shall have the right to convert the principal amount of the convertible 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.

Voting rights of debenture holders

Debenture holders do not have any voting rights in Shareholders' meetings of the Company.

Payment terms of convertible debentures

The Company may at any time between the issue date of the convertible debentures and the maturity date to redeem whole or any part of debenture. The amount to be paid by the Company shall be 112% of the outstanding principal amount of the convertible debentures.

Transfer of convertible debentures

The convertible 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 Investor or such other transferees approved in advance by the Company. The Company will disclose to the Stock Exchange should any convertible debentures are transferred to any connected persons (as defined under the Listing Rules) of the Group immediately upon the Company becoming aware of such transfer.

Completion of Amendment Agreement C and the Supplementary Document

Completion of the Amendment Agreement C and the Supplementary Document is subject to the Shareholders granting their approval to the Amendment Agreement C and the Supplementary Document at the EGM. Pursuant to the Amendment Agreement C and the Supplementary Document, no long stop date is set as a condition precedent. Before the completion of the Amendment Agreement C and the Supplementary Document, the Parties shall continue to perform according to the subscription agreement of 4 April 2011 and the Amendment Agreement B of 6 January 2012.

LETTER FROM THE BOARD

Reasons for entering into Amendment Agreement C and the Supplementary Document

(1) Change in interest rate

Since August of 2012, the price of the Company's Shares has been decreasing. The average closing price in August and September recorded HK\$0.094 and HK\$0.085 respectively. Due to the continuous decreasing in price of the Company's Shares to below the lower conversion price limit of HK\$0.10, the Investor raised its lack of incentives to make any conversion. In this connection, the Investor made a request to change the interest rate per annum from 3% to 5%.

The Company still hopes to encourage the Investor to continue investing in the Company and welcome its conversion of the debentures which turn liability into equity. The Directors (including the independent non-executive directors) regard the Amendment Agreement C and the Supplementary Document in the interest of the Company and its shareholders as a whole.

(2) Change in use of net proceed

As disclosed in the circular dated 18 April 2011, the total gross proceeds from the issue of the convertible debentures amount to US\$250,000,000. After deducting related expenses (finder's fee, printing, legal and administrative cost), the net proceeds amount to approximately US\$237,400,000. As at the Latest Practicable Date, the Investor has invested approximately US\$17,611,538 which has been used in purchasing of graphite ore, and the Company intends to use the rest of approximately US\$182,400,000 million for the same purpose. The remaining fund will be reserved as working capital.

Graphite ore is an important factor to graphite business development. Under keen competition, the Company intends to accumulate graphite ore as much as possible in a reasonable duration of time. As such, the fund from the Investor is significant in terms of capacity and rapidity.

Financial Impact of the Changes in Terms of the Convertible Debentures

The change in interest rate will increase the cost of the fund raising exercise to the Group. However, 5% interest rate is still reasonable in terms of flexibility and sparing all the due diligence and testings when compared with syndicated loan from banks. Exploration of natural resources is a capital-intensive industry. The net proceeds from the US\$250,000,000 convertible debentures are to facilitate the Company's future development. This fund raising exercise provides the Company financial flexibility to step up its expansion plan and to ensure steady fund supply for further development in the graphite exploration industry. When the debenture holders choose to convert the debentures into Shares of the Company, it turns liability to capital, the fund will become part of the Company's capital.

NEW SHARES ISSUED AND ALLOTTED UNDER THE SPECIAL MANDATE

The new Shares will be issued and allotted under the special mandate given by the Shareholders on 7 March 2012. And the Listing Committee has given its approval to the listing of, and the permission to deal in, the new Shares on 9 March 2012. Shareholders' approval to the Amendment Agreement C and the Supplementary Document will be sought at the EGM.

LETTER FROM THE BOARD

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.

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 the United Kingdom.

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.

RECOMMENDATION

The Directors consider that the Amendments Agreement C and the Supplementary Document is 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 resolutions as set out in the notice of EGM.

By order of the Board of Directors of
South Sea Petroleum Holdings Limited
Guan Xinmin
Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of South Sea Petroleum Holdings Limited (the “Company”) will be held at 11:00 a.m. on 20 November 2012 at Level 16, Man Yee Building, 68 Des Voeux Road Central, Hong Kong for the purpose of considering and if thought fit, passing, with or without modifications, the following resolutions which will be proposed as ordinary resolution:

ORDINARY RESOLUTION

“THAT

- (a) the Amendment Agreement C (dated 3 October 2012) together with the Supplementary Document (dated 24 October 2012) (as defined in the circular of the Company dated 5 November 2012 dispatched to shareholders of the Company) in relation to an aggregate of US\$250,000,000 convertible debentures due 4 April 2021 be and is hereby approved, confirmed and ratified; and
- (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 Amendment Agreement C and the Supplementary Document.”

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

Hong Kong, 5 November 2012

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.
- (i) 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.
- (ii) 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.