
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 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 Unit 1, G/F., The Center, 99 Queen's Road Central, Hong Kong on 11 May 2011 at 11:30 a.m. (the "Meeting") is set out on page 11 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.

18 April 2011

CONTENTS

	Page
Responsibility Statement	1
Definitions	2
Letter from the Board	4
Notice of EGM	11

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:

“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 Date”	the date on which the Debenture Holder delivers the Conversion Notice to the Company
“Conversion Notice”	a notice given by the Debenture Holder to the Company for exercise their conversion rights as per attached to the Debentures
“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”	The Conversion shall be the higher of (i) 90% of the average of the closing price of the Shares of any five (5) consecutive trading days (as selected by the Debenture Holder) within the sixty (60) trading days immediately prior to the Conversion Date and (ii) the current par value of the Shares at US\$0.50 (equivalent to HK\$3.90), or the then effective par value of the Shares at the time of conversion
“Debentures”	an aggregate of US\$250,000,000 3% interest convertible debentures due 2021
“Debenture Holder”	the Subscriber or any debenture transferees who hold the Debentures issued pursuant to the Subscription Agreement dated 4 April 2011
“Directors”	the board of directors of the Company
“EGM”	an extraordinary general meeting to be held on 11 May 2011
“Group”	the Company and its subsidiaries

DEFINITIONS

“Latest Practicable Date”	4 April 2011
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	4 April 2021
“New Shares”	a maximum of 500,000,000 New Shares issuable upon the exercise of the conversion rights attached to the Debentures
“Share(s)”	the ordinary shares of the Company, with par value US\$0.50 each
“Shareholder(s)”	holder(s) of the existing shares of the Company
“Special Mandate”	the Shareholders granting their approval to the Directors to issue and allot a maximum of 500,000,000 New Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscriber”	RTM Financial Corp., a USA company which subscribed an aggregate of US\$250,000,000 3% interest Debentures on 4 April 2011 pursuant to the Subscription Agreement
“Subscription Agreement”	the agreement dated 4 April 2011 entered into between the Company and the Subscriber for an aggregate of US\$250,000,000 3% interest Debentures due 2021

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Zhou Ling (*Chairman*)
Ms. Lee Sin Pyung (*Managing Director*)
Ms. Zhang Xue

Registered Office:

Unit 6605, 66/F.,
The Center
99 Queen's Road Central
Hong Kong

Independent Non-Executive Director:

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

18 April 2011

To the Shareholders

Dear Sir or Madam,

Reference is made to the announcement dated 4 April 2011 that the Company had entered into a Subscription Agreement with the Subscriber for an aggregate of US\$250,000,000 3% interest Debentures due 2021. The purpose of this circular is to provide you with information relating to the Subscription Agreement and to seek approval from the Shareholders. No Shareholders have a material interest in the Subscription Agreement, therefore no Shareholders will be required to abstain from voting at the EGM.

US\$250,000,000 3% Interest Convertible Debentures

Date of Subscription Agreement

4 April 2011

Parties

- The Company
- The Subscriber

RTM Financial Corp., a USA company involves in investing in securities, debentures, government bonds and other financial instruments.

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.

LETTER FROM THE BOARD

Principal amount

US\$250,000,000

Maturity Date

4 April 2021

Interest

3% per annum

Completion of the Subscription Agreement

Completion of the Subscription Agreement is subject to:

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

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 shall be the higher of (i) 90% of the average closing price of the Shares of any five (5) consecutive trading days (as selected by the Debenture Holder) within the sixty (60) trading days immediately prior to the Conversion Date and (ii) the current par value of the Shares at US\$0.50 (equivalent to HK\$3.90), or the then effective par value of the Shares at the time of conversion.

Suppose the Debenture Holder elects from March 28 to April 1, 2011 as the five consecutive trading days to convert the New Shares and 90% of the average of the closing price of the Shares of the five consecutive trading days will be HK\$0.79,

- 1) the current par value is higher than HK\$0.79 and the conversion price should be \$3.90,

LETTER FROM THE BOARD

- (i) a premium of approximately 323.91% over the closing price of HK\$0.92 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
 - (ii) a premium of approximately 338% over the average closing price of HK\$0.89 per Share as quoted on the Stock Exchange over the five consecutive trading days immediately prior to the Latest Practicable Date;
 - (iii) a premium of approximately 338% over the average closing price of HK\$0.89 per Share as quoted on the Stock Exchange over the ten consecutive trading days immediately prior to the Latest Practicable Date.
- 2) if the par value, after capital reduction, is lower than HK\$0.79 on the Conversion Date, the Conversion Price should be HK\$0.79,
- (i) a discount of approximately 16.46% over the closing price of HK\$0.92 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
 - (ii) a discount of approximately 11.29% over the average closing price of HK\$0.89 per Share as quoted on the Stock Exchange over the five consecutive trading days immediately prior to the Latest Practicable Date;
 - (iii) a discount of approximately 11.29% over the average closing price of HK\$0.89 per Share as quoted on the Stock Exchange over the ten consecutive trading days immediately prior to the Latest Practicable Date.

The Conversion Price and the number of the New Shares will be subject to adjustment (as the case may be) for capitalization issue, rights issue, sub-division or consolidation of Shares or reduction of capital, in such case, the Company shall issue further announcement regarding the adjustments as when and where necessary and appropriate. In the event the par value of the Company's Shares is reduced, the conversion limit will remain the same at 500,000,000 New Shares. Pursuant to the Subscription Agreement, the Company has agreed to use its best efforts to increase the authorized share capital and reduce the par value of its ordinary Shares (the "Capital Reorganization"). After the Company decides the details of the Capital Reorganization, approval will be sought from the Shareholders and the relevant authorities.

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. Assuming the Debentures are fully exercised and converted, a maximum number of 500,000,000 New Shares will be issued and allotted, which represent 189.87% of the existing issued share capital of the Company as of the date of the Subscription Agreement, and represent 65.50% 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

LETTER FROM THE BOARD

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.

History of Fund Raising Activities for the Past Twelve Months

There was no fund raising activity held by the Company in the past twelve months.

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 US\$100,000,000 and US\$250,000,000 Convertible Debentures Elect to Fully Convert their Debentures	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Palmsville Equities Inc. (Note)	640,000	0.24	640,000	0.07
Public:				
1. Debenture Holders of the outstanding US\$100,000,000 Convertible Debentures	0	0	200,000,000	20.76
2. Debenture Holders of US\$250,000,000 Convertible Debentures	0	0	500,000,000	51.90
2. Other Public	262,693,744	99.76	262,693,744	27.27
Total	263,333,744	100.00	963,333,744	100.00

Note: Palmsville Equities Inc. is a company beneficially owned by Mr. Zhou Ling, the Chairman of the Company.

Voting Rights of Debenture Holder

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

LETTER FROM THE BOARD

Payment Terms of Debentures

The Company may at any time between the issue date of the 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 Debentures.

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 are 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 mineral resources are strategically valuable and worth investment over the long term. During 2010, the price of graphite products doubled in the global market. As a result, the Company's revenue generated from its graphite business increased significantly. The Company deems it strategically important to procure a steady supply of graphite raw materials to ensure sustainable operation and growth of its graphite business. The net proceeds are intended to be used as funding for potential acquisitions of graphite mineral resources and capital reserve to increase oil production in Bula Oilfields, Indonesia, and to develop or acquire hi-technology to support and complement its existing electronics hardware business in the UK, thereby enhancing high-tech contents in its electronics products. Therefore, the Directors (including the independent non-executive directors of the Company) consider the issue of US\$250,000,000 10-year Debentures at 3% is appropriate, fair, reasonable and in the best interest of the Company. The Subscription Agreement was reached after arm's length negotiations between the Company and the Subscriber. The Directors consider that the Subscription Agreement provides a substantial amount of capital reserve to the Company and the terms of the Subscription Agreement are 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

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) the net proceeds amount to approximately US\$ 237,400,000.

LETTER FROM THE BOARD

Out of the remaining net proceed, the Company intends to allocate:

1. US\$115,000,000 to acquire graphite mineral resources in and outside of China;
2. US\$115,000,000 to increase Company's oil production capacity in Bula Oilfields, Indonesia, and to develop or acquire hi-technology to support and complement its existing electronics hardware business in the UK, thereby enhancing high-tech contents in its electronics products.
3. Remaining funds will be reserved as working capital.

However, the Directors confirm that no agreement relating to intended acquisitions has been reached. The Company will inform the market by making formal announcements should any discloseable transactions as defined under the Listing Rules arise.

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.

EGM

The notice of EGM is set out on page 11 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.

LETTER FROM THE BOARD

Recommendation

The Directors consider that the terms of the Subscription Agreement 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 as set out in the notice of EGM.

By order of the Board
South Sea Petroleum Holdings Limited
Zhou Ling
Chairman

NOTICE OF EGM



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 11:30 a.m. on 11 May 2011 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 resolutions which will be proposed as ordinary resolution:

ORDINARY RESOLUTION

“THAT

- (a) the Subscription Agreement (as defined in the circular of the Company dated 18 April 2011 (the “Circular”) dispatched to shareholders of the Company) dated 4 April 2011 in relation to the issue of US\$250,000,000 3% interest 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 Subscription Agreement including (without limitations) the issue of the maximum of 500,000,000 New Shares (as defined in the Circular).”

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

Hong Kong, 18 April 2011

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.