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)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The Board of Directors (the "Board") of South Sea Petroleum Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007 together with the comparative figures in 2006 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007
(Expressed in US'000)

	2007	2006
TURNOVER	**41,840**	41,940
Cost of sales	**(30,392)**	(33,337)
	11,448	8,603
Other income	**3,464**	3,732
General and administrative expenses	**(17,768)**	(16,241)
Loss in fair value of financial assets through profit or loss	**(7,464)**	(115)
Exploratory dry hole costs	**(18,383)**	–
Impairment loss of amount due from a related company	**–**	(2,662)
LOSS FROM OPERATING ACTIVITIES	**(28,703)**	(6,683)
Finance costs	**(464)**	(467)
LOSS BEFORE TAX	**(29,167)**	(7,150)
Income tax	**(492)**	126
LOSS FOR THE YEAR	**(29,659)**	(7,024)
Attributable to:		
Equity shareholders of the Company	**(29,629)**	(6,971)
Minority interests	**(30)**	(53)
	(29,659)	(7,024)
LOSS PER SHARE – BASIC *(US Cents)*	**(0.55)**	(0.61)

CONDENSED CONSOLIDATED BALANCE SHEET
As at 31 December 2007
(Expressed in US$'000)

	2007	2006
NON-CURRENT ASSETS		
Goodwill	**2,523**	2,523
Fixed assets	**136,939**	33,749
Project advances for oilfield exploration and mining	**27,813**	13,139
Deferred tax assets	**284**	617
	167,559	50,028
CURRENT ASSETS		
Cash and bank balances	**90,519**	3,865
Fixed deposit	**2,741**	–
Financial assets at fair value through profit or loss	**19,398**	103
Trade receivables	**8,346**	4,411
Inventories	**8,391**	5,477
Prepayments, deposits and other receivables	**12,451**	13,613
	141,846	27,469
CURRENT LIABILITIES		
Trade payables	**5,021**	7,743
Other payables and accrued expenses	**2,614**	3,233
Due to a minority shareholder	**1,282**	–
Bank loan on discounted debtors	**3,964**	–
Finance lease-current portion	**212**	193
Bank loan-current portion	**–**	18
Government grant received in advance-current portion	**556**	894
Taxation	**154**	100
	13,803	12,181
NET CURRENT ASSETS	**128,043**	15,288
TOTAL ASSETS LESS CURRENT LIABILITIES	**295,602**	65,316
NON-CURRENT LIABILITIES		
Finance lease	**474**	343
Government grant received in advance	**671**	865
Provision	**590**	664
Convertible debenture	**–**	1,103
	1,735	2,975
NET ASSETS	**293,867**	62,341

CAPITAL AND RESERVES		
Share capital	**109,722**	15,659
Revaluation reserve	**5,147**	3,615
Special capital reserve	**12,037**	12,037
Share premium	**199,947**	42,627
Translation reserve	**7,791**	7,138
Accumulated losses	**(49,176)**	(19,547)
Total equity attributable to equity shareholders	**285,468**	61,529
Minority interests	**8,399**	812
	293,867	62,341

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Years ended 31 December, 2007 *US$'000*	2006 *US$'000*
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(37,168)**	445
NET CASH (USED IN) INVESTING ACTIVITIES	**(133,804)**	(27,165)
CASH FLOW FROM FINANCING ACTIVITIES	**259,726**	26,021
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**88,754**	(699)
Cash and cash equivalents at 1 January	**3,865**	1,871
Effect of exchange rate	**641**	2,693
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**93,260**	3,865
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**90,519**	3,865
Fixed deposit	**2,741**	–
	93,260	3,865

NOTES TO THE ACCOUNTS

1. Basis of preparation and significant accounting policies

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The HKFRS is inclusive of all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the HKICPA. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The measurement basis in the preparation of the financial statements is historical cost, except for the measurement of financial assets at fair value through profit or loss, land and buildings and investment properties.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

The Group adopted the following new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2007.

HKAS 1	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above new and revised HKFRSs has no material impact on the financial statements.

There is also a number of new standards, amendments to standards and interpretations issued that are not yet effective for the financial year ended 31st December 2007. The Group has carried out a preliminary assessment of these standards, amendments and interpretations and considered that HKAS 23 (Revised), HK (IFRIC)-Int 11, HK (IFRIC)-Int 12, HK (IFRIC)-Int 13 and HK (IFRIC)-Int 14 may not have significant impact on the Group's results of operations and financial position but a detailed assessment is still being carried on. The Group is also in the process of assessing the impact of HKFRS 8.

2. Turnover and segment information

Turnover represents oil revenue from the sale of crude oil and assembly of electronic components for the contract electronics manufacturer.

An analysis of the Group's turnover and results for the period by business segments is as follows:

(Expressed in US$'000)

	Oil and mining		Contract electronic manufacturing		Trading Securities		Unallocated		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue from external customers	**7,383**	5,207	**34,439**	36,682	**–**	–	**18**	51	**41,840**	41,940
Segment results	**(21,280)**	(2,379)	**2,003**	508	**(7,180)**	–	**–**	–	**(26,457)**	(1,871)
Unallocated income and expenses									**(2,246)**	(4,812)
Loss from operation									**(28,703)**	(6,683)
Finance costs	**–**	–	**(464)**	(464)	**–**	–	**–**	(3)	**(464)**	(467)
Taxation	**–**	–	**(492)**	126	**–**	–	**–**	–	**(492)**	126
Loss attributable to shareholders									**(29,659)**	(7,024)

3. Loss from operating activities

Loss from operating activities is arrived at after charging:

	2007	2006
	US$'000	*US$'000*
Depreciation:		
– owned fixed assets	**1,111**	877
– leased fixed assets	**235**	141
Operating lease rentals on		
– land and buildings	**590**	685
– plant and machinery	**528**	261
Costs of inventories sold	**33,689**	35,156
Staff costs, including directors' remuneration	**10,940**	8,770
Auditors' remuneration	**168**	168
Loss in fair value of financial assets at fair value through profit or loss		
– realised	**184**	115
– unrealised	**7,280**	–
Bad debt	**–**	731
Foreign exchange losses, net	**442**	1,945

4. Tax

	2007	2006
	US$'000	*US$'000*
Overseas tax charge	**153**	94
Deferred tax charge (credited)	**339**	(220)
	492	(126)

Tax represented deferred tax assets reversed (2006: deferred tax assets provided) and corporate tax charge provided in an England subsidiary.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

No provision for Hong Kong profits tax has been made as, in the opinion of the Company's directors, the Group did not have any estimated assessable profits in Hong Kong for the year.

5. Basic loss per share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of US$29,629,000 (2006: US$6,971,000), and the weighted average of 5,344,873,172 (2006: 1,139,577,477) ordinary shares in issue during the year.

6. Dividend

The Directors have decided not to declare any dividend for the year ended 31 December 2007 (2006: Nil).

7. Fixed assets

During the year ended 31 December 2007, the Group acquired approximately US$120,921,000 (2006: US$20,318,000) of fixed assets.

8. Trade receivables

The ageing analysis of the trade receivables is as follows:

	2007 ***US$'000***	2006 *US$'000*
0-30 days	**3,116**	3,280
31-60 days	**2,817**	850
61-90 days	**1,281**	263
Over 90 days	**1,132**	18
	8,346	4,411

9. Trade payables and notes payable

The ageing analysis of the trade payables and notes payable is as follows:

	2007 ***US$'000***	2006 *US$'000*
0-30 days	**2,452**	1,839
31-60 days	**1,471**	2,348
61-90 days	**408**	852
Over 90 days	**690**	2,704
	5,021	7,743

10. Share capital

	2007	2006
	US$'000	*US$'000*
Authorised:		
14,000,000,000 ordinary shares of US$ 0.01 each	**140,000**	140,000
Issued and fully paid:		
10,972,239,359 ordinary shares of US$ 0.01 each (2006: 1,565,888,588 shares of US$ 0.01 each)	**109,722**	15,659

11. Approval of the Annual Audited Accounts

The Board of Directors of the Company approved the Annual Audited Accounts on 23 April 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

For the year ended 31 December 2007, the Group's turnover was US$41.84 million, as compared to US$41.94 million for the previous year. The net loss attributable to shareholders was US$29.66 million, or US$0.55 cents per share, as compared to net loss of US$7.0 million, or US$0.61 cents per share, for the year of 2006. On the balance sheet, the total assets of the Group at 31 December 2007 were US$309.41 million representing an increase of US$231.91 million, or 199.2%, as compared US$77.50 million at 31 December 2006, and the net assets of the Group were US$293.87 million representing an increase of US$231.53 million, or 371.39%, at 31 December 2007, as compared US$62.34 million at 31 December 2006.

Business Development

The Group has two principal lines of business. The first line of business is to develop, explore and produce crude oil in Indonesia and the Philippines, and the second line of business is to provide electronic manufacturing services in the United Kingdom.

The Group currently operates two oilfields: Bula Block Oilfield in Indonesia and Agusan-Davao Basin Oilfield in Davao, the Philippines. Bula Block Oilfield is operated by the Company's wholly owned subsidiary, Kalrez Petroleum (Seram) Limited, under Bula Petroleum Production Sharing Contract ("Bula PSC") , which was entered into with BPMIGAS, Department of Petroleum of Indonesia, on 22 May 2000. The Bula PSC will expire in 2019.

Agusan-Davao Basin Oilfield is operated by South Sea Petroleum (Philippines) Corp., a wholly owned subsidiary of the Company. Under the Service Contract with the Department of Energy, the Republic of Philippines, the Group has been granted a permission to exploit crude oil and natural gas in an area with approximately 7,478 square kilometers at Agusan-Davao Basin of the Philippines. The initial exploitation term is seven years, and follows with a 25-year of production term. The Company is currently conducting seismic surveys and other preparation work programs on the area.

In April 2005, the Group entered into an agreement to acquire 65% of equity interest in PT. Cahaya Batu Raja Blok, an Indonesian company, for US$5.8 million. PT Cahaya Batu Raja Blok owns a Production Contract signed with the Department of Petroleum (BPMIGAS) of the Indonesia government. Pursuant to the Production Contract, PT. Cahaya Batu Raja Blok will explore and develop petroleum and natural gas in Air Komering Block, an area consisting of approximately 4,110 square kilometers located in Southern Sumatra, Indonesia for 30 years ending in 2034. The acquisition has not been completed as of the date of this report.

From 1994 to the end of 2004, the Group had crude oil operations at Limau Oilfields in South Sumatra, Indonesia under an Enhance Oil Recovery Contract ("EOR") with Pertamina, an Indonesia state-owned oil company. The EOR Contract expired on 31 December 2004. The Group has been negotiating with BPMIGAS, Department of Petroleum of Indonesia, for some time in order to renew the Contract or enter into a new contract for the oil production at this Limau Oilfield the Group previously operated. On 16 June 2007, Seaunion Development Limited, a 100% owned subsidiary of the Company, entered into a legally binding Strategic Alliance Agreement with PT Pertamina (Persero), an Indonesian state-owned oil company, to form a strategic alliance for the exploration and/or production of crude oil in Limau Oilfields in form of a 50-50 joint venture company. The initial term for the cooperation is 15 years, which can be extended by mutual agreement subject to evaluation. Currently, the production capacity of the Limau Oilfields is about 7,000 barrels of crude oil a day.

In April 2007, the Group set up a joint venture company, Mega Resources International Enterprises Limited, in Hong Kong. Under the joint venture agreement, the Group contributed HK$70 million for 70% of equity interest in the joint venture company ("JVC"), and the minority investors contributed HK$30 million for 30% of the JVC's equity interest. The purpose of the JVC is to acquire 95% of capital stock of a Chinese company, which will acquire exploration and mining rights on a 2.89 square kilometer area in Panzhihua, Sichuan, China. According to technical assessment reports prepared by SRK Consulting, an Europe-based valuer and BMI Appraisals, the mineral deposits and estimated tonnage found on or under the mining area include: copper (2,570,216 tons), graphite (90,376,000 tons), lead-zinc (67,685 tons), sulphur and silver. The gross sales revenue for the above minerals is estimated at RMB18,496,041,400. After deducting all the mining and operating costs, the net market value of such material deposits was appropriately RMB3,347,000,000.

On 25 July 2007, Global Select Limited, a wholly owned subsidiary of the Company, entered into a joint venture agreement with China Resources Development Cooperation Holdings Limited ("CRDC") to set up a joint venture company in Hong Kong. The purpose of the joint venture is for business opportunities in natural resources industry in China. Under the JV agreement, the Group will contribute US$8.50 million for 85% of equity interest in the joint venture company, and CRDC will contribute US$1.50 million for 15% of equity interest in the joint venture company.

On 2 October 2007, China Resources Development, a wholly owned subsidiary of the Company, entered into a JV Agreement with a third party investor to set up a joint venture company to produce and sale of graphite products in Luobei, Helongjiang Province of China. Pursuant to the agreement, China Resources Development will contribute US$9,950,000 in cash for 83% of equity interest for the JVC, whereas the investor will contribute US$2,050,000 in cash for 17% of equity interest in the JVC.

Through Axiom Manufacturing Services Limited, the Company provides electronic manufacturing services to original equipment manufacturers of telecommunication equipment, computers and related products for business enterprises, video/audio/entertainment products, industrial control equipment, testing and instrumentation products and medical devices. The Company provides its customers with a total solution that includes a full range of services that allow the Company to take its customers' products from initial design through production, test, distribution and after-market support. In many cases, the Company builds and services products that carry the brand names of its customers.

Substantially all of the Company's manufacturing services are provided on a turnkey basis, whereby the Company purchases components specified by customers from suppliers, assembles the components on printed circuit boards, perform post-production testing and provides its customers with production process and testing documentation. The Company offers its customers flexible, just-in-time delivery programs allowing product shipments to be closely coordinated with its customers' inventory requirements. The Company also provides manufacturing services on a consignment basis, whereby the Company utilizes components supplied by customers to provide assembly and post-production testing services.

The Company intends to continue making investments in exploiting and developing crude oil and natural gas in Asian countries, including Indonesia and the Philippines. At Bula Block Oilfield in Indonesia, the Company plans to conduct more seismic surveys and drill more oil wells and increase daily oil production. In Agusan-Davoa Basin Oilfield in the Philippines, the Company intends to conduct more seismic surveys and drill more test wells.

For the year ended 31 December 2007, the Company's electronics manufacturing services operations in UK continues to make progress with both revenues and operating profits. Business in current market sectors continues to be relatively strong while activities continue to develop opportunities within military and aerospace sectors - these have already led to approved supplier status with one major multinational defense contractor.

Results of Operations

For the year ended 31 December 2007, the Group's turnover was US$41.84 million, a slight decrease of US$100,000, or 0.2%, compared to US$41.94 million for the prior year. During the year, the turnover of the Group's crude oil operation increased by US$2.18 million, and the turnover of the Group's electronics manufacturing service operation decreased by US$2.24 million, mainly due to the completion of the Psion Contract in late 2006 which totaled US$5.1 million, this was a high sales value, low margin contract. However, a number of new customers have been added in 2007 in new market sectors and while these contributed small amounts to revenue in 2007, they will move into full volume in 2008.

For the year ended 31 December 2007, the Group's had net loss of US$29.17 million, or US$0.55 cents per share, as compared to net loss of US$6.97 million, or US$0.61 cents per share for the last year. The loss of the Company's operating activities in 2007 was largely due to exploratory dry hole costs of US$18.3 million, unrealised loss in financial assets at fair value through profit or loss of US$7,280,000, foreign exchange losses of US$442,000 million and tax expense of US$492,000.

Liquidity and Capital Resources

The Group's operations are primarily funded by cash flows from its operations, and to a certain extent, from issuance of convertible debentures in order to conduct more exploitation activities in Indonesian and the Philippines oilfields.

At 31 December 2007 the Group's cash and cash equivalents were US$93.26 million, as compared to US$3.87 million at 31 December 2006. For the year ended 31 December 2007, the Group's operating activities used net cash of US$37.17 million, largely due to net loss from operating activities, increase in financial assets at fair value through profit or loss of US$26.43 million, increase in trading receivable of US$3.94 million, unrealized loss on financial assets at fair value through profit or loss of US$7.28 million, increase in inventory US$1.86 million and trade receivables of US$3.94 million. For the year, the Group's investing activities used net cash of US$133.80 million, primarily attributable to increase in additions to oil properties of US$117.58 million, and project advance of US$14.67 million. For the year ended 31 December 2007, the Group's financing activities provided net cash of US$259.73 million, largely from proceeds of issuing convertible debenture of US$250.28 million, contribution from minority shareholders of US$5.35 million and loan from discounted debtor of US$3.96 million.

On 2 February 2007, the Company contracted to issue convertible debentures for an aggregate amount of HK$40 million nil interest and due 2010. The net proceeds were used to increase production of crude oil in Bula Block Oilfields in Indonesia.

On 28 February 2007, the Company contracted to issue convertible debentures for an aggregate amount of US$100 million nil interest and due 2012 subject to certain terms and condition. The net proceeds were used in the exploration of crude oil and gas at Agusan-Davao Basin in Davao Province, the Philippines, and to increase production of crude oil at Bula Block Oilfields in Indonesia.

On 14 June 2007, the Company contracted to issue convertible debentures for an aggregate amount of US$200 million nil interest and due 2012. The net proceeds are intended to be used in exploration of Indonesia oilfields, seeking for potential oilfields for acquisition, and for the exploration and mining production in Sichuan, China.

At 31 December 2007, the Group had no contingent liabilities. The Group believes that the cash generated from its operations and proceeds from issuance of convertible debentures are adequate to meet its operating expenses and capital expenditure for the next twelve months. However, the Group's continuing operating and investing activities may require it to obtain additional sources of financing. In that case, the Group may seek financing from institutional investors, banks, or other sources of financing. There can be no assurance that any necessary additional financing will be available to the Group at that time.

Off Balance Sheet Arrangements

As of 31 December 2007, the Company had no off balance sheet arrangements.

Major Customers and Suppliers

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for 86% and 26% respectively of the Group's total turnover for the year. The aggregate purchases attributable to the Group's five largest suppliers accounted for 56% of the Group's total purchases of which approximate 26% attributable to the largest supplier. None of the Company's directors, their associates, or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in the Group's five largest customers in 2007 and 2006.

Employees and Remunerations Policies

At 31 December 2007, the Group had a total of approximately 528 full-time employees in Indonesia, the United Kingdom, China and Hong Kong. The Group believes that its relationship with its employees is satisfactory. From time to time, the Group may also use the services of independent consultants and contractors to perform various professional services.

The remuneration of each employee of the Group is determined on the basis of his or her performance and responsibility.

Material Uncertainties

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Foreign Exchange Exposure

The Group's principal operating subsidiaries earn revenues and incur costs in US dollars and British pounds, respectively. The Group will continue to monitor the risk of foreign exchange fluctuation on the Group's results of operations, financial conditions and cash flows.

Legal Proceedings

The Group is not a party to any material legal proceedings.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2007, the directors and Chief Executive Officer of the Company held following long positions in the ordinary share of the Company:

	Number of Ordinary Shares held		Approximate %
Name	**Personal Interests**	**Corporate Interests**	**of shareholding**
Zhou Ling	–	32,000,000	0.29%

Save as disclosed above, as at the date of this report, none of the directors and executive officers of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations that were required, pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), to be entered in the register referred to therein or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of 31 December 2007, none of the directors of the Company, including their respective associates, are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2007, no person, other than a director or chief executive's interests which are disclosed in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest, short position, or lending poor in the shares or underlying shares or debentures of the Company that was required to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period under review, the Company, or any of its subsidiaries, has not purchased, sold, or redeemed any of the Company's securities.

DIVIDENDS

The Directors have decided not to declare any dividend for the year ended 31 December 2007 (2006: Nil).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the all the code provisions as set forth in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited during the year under review.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") se out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code.

CHANGE IN THE COMPANY'S AUDITORS

On 10 December 2007, K.M. Choi & Au Yeung Limited resigned as auditors of the Company and its subsidiaries for the reason that it could not agree on the proposed audit fee for the year ended 31 December 2007.

None of the reports of K.M. Choi & Au Yeung Limited on the Group's financial statements for either of the year ended 31 December 2006 or subsequent interim period contained an adverse opinion or disclaimer of opinion, or was qualified or modified as to uncertainty, audit scope or accounting principles. There were no disagreements between the Group and K.M. Choi & Au Yeung Limited for the previous year and interim period up to the date of its resignation on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of K.M. Choi & Au Yeung Limited, would have caused them to make reference to the subject matter of the disagreement in connection with its report. K.M. Choi & Au Yeung Limited further confirmed that there were no circumstances connected with its resignation which it considered should be brought to the attention of the shareholders and creditors of the Group.

On 7 January 2008, the Company appointed JP Union & Co., Certified Public Accountants, as its auditors to fill the casual vacancy following the resignation of K.M.Choi & Au Yeung Limited, until the conclusion of the coming annual general meeting of the Company.

The Company considered that there were no circumstances in respect of the appointment of new auditors which should be brought to the attention of the shareholders of the Company.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Company and discussed auditing, internal controls and financial reporting matters, including a review of the audited Annual Accounts for the year ended 31 December 2007.

On the date of this Report, the Audit Committee consists of the following independent non-executive directors: Mr. Ho Choi Chiu (Chairman), Mr. Lu Ren Jie, and Mr. Chai Woon Chew.

PUBLICATION OF RESULTS

This announcement of results containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published in due course on websites of the Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) and the Company (http://finance.thestandard.com.hk/en/0076southseapetro) respectively. The Company's 2007 Annual Report will also be dispatched to all shareholders of the Company before 30 April 2008.

BOARD OF DIRECTORS

As at the date of this announcement, the board of directors comprised of Mr. Zhou Ling, Ms. Lee Sin Pyung and Ms. Sit Mei being executive directors; Mr. Lu Ren Jie, Mr. Chai Woon Chew and Mr. Ho Choi Chiu being independent non-executive directors.

On behalf of the Board
Zhou Ling
Chairman

Hong Kong, 23 April 2008