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 2008

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 2008 together with the comparative figures in 2007 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008
(Expressed in US'000)

	2008	2007 (Restated)
TURNOVER	**53,767**	41,840
Cost of sales	**(33,951)**	(30,392)
	19,816	11,448
Other income	**3,432**	3,408
General and administrative expenses	**(14,103)**	(13,660)
Drilling and operating expenses	**(8,426)**	(3,947)
Loss in fair value of financial assets held for trading	**(12,318)**	(7,464)
Other taxes	**(1,884)**	–
Exploratory dry hole costs	**(76,996)**	(18,383)
Impairment loss of other receivable	**(9,604)**	–
LOSS FROM OPERATING ACTIVITIES	**(100,083)**	(28,598)
Finance costs	**(468)**	(464)
LOSS BEFORE TAX	**(100,551)**	(29,062)
Income tax	**426**	(492)
LOSS FROM CONTINUING OPERATIONS	**(100,125)**	(29,554)
DISCONTINUED OPERATIONS		
Gain (loss) from discontinued operations	**1,723**	(105)
LOSS FOR THE YEAR	**(98,402)**	(29,659)
Attributable to:		
Equity shareholders of the Company	**(98,297)**	(29,629)
Minority interests	**(105)**	(30)
	(98,402)	(29,659)
EARNINGS (LOSS) PER SHARE – BASIC (US Cents)		
From continuing and discontinued operations	**(0.896)**	(0.554)
From continuing operations	**(0.912)**	(0.552)
From discontinued operations	**0.016**	(0.002)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2008
(Expressed in US$'000)

	2008	2007
NON-CURRENT ASSETS		
Goodwill	**2,523**	2,523
Fixed assets	**63,917**	136,939
Project advances for oilfield exploration and mining	**9,739**	27,813
Available for sale investment	**11,792**	–
Deferred tax assets	**414**	284
	88,385	167,559
CURRENT ASSETS		
Cash and bank balances	**44,703**	90,519
Fixed deposit	**–**	2,741
Financial assets at fair value held for trading	**11,376**	19,398
Tax prepaid	**108**	–
Trade receivables	**6,841**	8,346
Other loans receivables	**2,547**	–
Due from an investee company	**3,094**	–
Inventories	**7,415**	8,391
Prepayments, deposits and other receivables	**31,449**	12,451
	107,533	141,846
CURRENT LIABILITIES		
Trade payables	**3,010**	5,021
Other payables and accrued expenses	**2,537**	2,614
Due to a minority shareholder	**–**	1,282
Bank loan on discounted debtors	**2,429**	3,964
Finance lease-current portion	**313**	212
Government grant received in advance-current portion	**8**	556
Taxation	**–**	154
	8,297	13,803
NET CURRENT ASSETS	**99,236**	128,043
TOTAL ASSETS LESS CURRENT LIABILITIES	**187,621**	295,602
NON-CURRENT LIABILITIES		
Finance lease	**745**	474
Government grant received in advance	**–**	671
Provision	**1,022**	590
	1,767	1,735
NET ASSETS	**185,854**	293,867
CAPITAL AND RESERVES		
Share capital	**109,722**	109,722
Revaluation reserve	**2,706**	5,147
Special capital reserve	**12,037**	12,037
Share premium	**199,947**	199,947
Translation reserve	**4,558**	7,791
Accumulated losses	**(147,473)**	(49,176)
Total equity attributable to equity shareholders	**181,497**	285,468
Minority interests	**4,357**	8,399
	185,854	293,867

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Years Ended 31 December,	
	2008	2007
	US$'000	*US$'000*
NET CASH USED IN OPERATING ACTIVITIES	**(25,249)**	(37,168)
NET CASH USED IN INVESTING ACTIVITIES	**(20,328)**	(133,804)
CASH FLOW (USED IN) FROM FINANCING ACTIVITIES	**(1,972)**	259,726
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(47,549)**	88,754
Cash and cash equivalents at 1 January	**93,260**	3,865
Effect of exchange rate	**(1,008)**	641
CASH AND CASH EQUIVALENTS AT 31 December	**44,703**	93,260
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**44,703**	90,519
Fixed deposit	**–**	2,741
	44,703	93,260

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 HKFRS 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 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 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)- Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)- Int 12	Service Concession Arrangements
HK(IFRIC)- Int 14	HKAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

2. Turnover and segment information

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

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

(Expressed in US$'000)

For the year ended 31 December 2008

	Continuing operations				Discontinued operations			
	Oil	**Sale of minerals**	**Contract electronic manufacturing**	**Trading securities**	**Oil in Philippine**	**Exploration of minerals**	**Others**	**Total**
Revenue from external customers	17,234	5,963	30,551	–	–	–	19	53,767
Segment results	(76,874)	(898)	948	(3,038)	(9,105)	(36)	–	(89,003)
Unallocated income and expenses								(11,203)
Loss from operation								(100,206)
Gain on disposal of subsidiaries	1,845							1,845
Finance costs			(467)					(467)
Taxation			426					426
Loss for the year								(98,402)

For the year ended 31 December 2007

	Continuing operations				Discontinued operations			
	Oil	Sale of minerals	Contract electronic manufacturing	Trading securities	Oil in Philippine	Exploration of minerals	Others	Total
Revenue from external customers	7,314	69	34,439	–	–	–	18	41,840
Segment results	(20,775)	(399)	2003	(7,180)	(150)	44	–	(26,457)
Unallocated income and expenses								(2,246)
Loss from operation								(28,703)
Finance costs			(464)					(464)
Taxation			(492)					(492)
Loss for the year								(29,659)

3. Loss from operating activities

Loss from operating activities is arrived at after charging:

	2008	2007
	US$'000	*US$'000*
Depreciation:		
– owned fixed assets	**1,712**	1,111
– leased fixed assets	**297**	235
Operating lease rentals on		
– land and buildings	**734**	590
– plant and machinery	**1,060**	528
Costs of inventories sold	**38,529**	33,689
Staff costs, including directors' remuneration	**12,508**	10,940
Auditors' remuneration	**142**	168
Realised loss in fair value of financial assets at held for trading	**(233)**	184
Foreign exchange losses, net	**151**	442

4. Tax

	2008	2007
	US$'000	*US$'000*
Overseas tax charge		
– provision for current year	**–**	153
– Overprovision in respect of prior year	**(185)**	153
Deferred tax (credited) charge	**(241)**	339
	(426)	492

Tax represented deferred tax assets provided (2007: deferred tax assets reversed) 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. Discontinued operations

On 21 May 2008, the Group disposed the entire interests in its subsidiaries, Comp Assets International Limited, PT. Global Select Indonesia, Mega Resources International Enterprises Limited, and South Sea Petroleum (Philippines) Corporation at a consideration of USD9,700,000. The Group's oil exploration business in Philippines, a small part of oil exploration business in Indonesia and the mineral exploration business in China were discontinued.

The results and the cash flows of the discontinued operations were as follows:

	2008	2007
	US$'000	*US$'000*
Other revenue	**4**	56
Administration expenses	**(126)**	(161)
Loss from discontinued operations	**(122)**	(105)
Gain on disposal of discontinued operations	**1,845**	–
	1,723	(105)
Net cash used in operating activities	**(87)**	(1,667)
Net cash used in investing activities	**(54)**	(8,264)
Net cash (used in) generated from financing activities	**(6,720)**	18,083
(Decrease) increase in cash and cash equivalents	**(6,861)**	8,152

The net assets of the discontinued operations are as follows:

	US$'000
Fixed assets	14,241
Project advances for oil field exploration and mining	11,141
Cash and bank balances	1,339
Prepayments, deposits and other receivables	4,851
Other payable and accrued expenses	(19,849)
Exchange reserve	(8)
Minority interests	(3,860)
Net assets disposed	7,855
Gain on disposal	1,845
	9,700
Satisfied by:	
Shares in new Joint Venture	9,700

6. Basic earning (loss) per share

(i) From continuing and discontinued operations

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of US$98,297,000 (2007: US$29,629,000), and 10,972,239,359 (2007: weight average of 5,344,873,172) ordinary shares in issue during the year.

(ii) From continuing operations

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of US$100,020,000 (2007: US$29,524,000) and 10,972,239,359 (2007: weight average of 5,344,873,172) ordinary shares in issue during the year.

(iii) From discontinued operations

The calculation of basic earning (loss) per share is based on the net profit attributable to shareholders for the year of US$1,723,000 (2007: net loss of US$105,000), and 10,972,239,359 (2007: weight average of 5,344,873,172) ordinary shares in issue during the year.

7. Dividend

The Directors have decided not to declare any dividend for the year ended 31 December 2008 (2007: Nil).

8. Fixed assets

During the year ended 31 December 2008, the Group acquired approximately US$25,007,000 (2007: US$120,921,000) of fixed assets.

9. Trade receivables

The ageing analysis of the trade receivables is as follows:

	2008	2007
	US$'000	*US$'000*
0-30 days	**5,215**	3,116
31-60 days	**256**	2,817
61-90 days	**92**	1,281
Over 90 days	**1,278**	1,132
	6,841	8,346

10. Trade payables and notes payable

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

	2008	2007
	US$'000	*US$'000*
0-30 days	**744**	2,452
31-60 days	**683**	1,471
61-90 days	**299**	408
Over 90 days	**1,284**	690
	3,010	5,021

11. Share capital

	2008	2007
	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	**109,722**	109,722

12. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

13. Approval of the Annual Audited Accounts

The Board of Directors of the Company approved the Annual Audited Accounts on 23 April 2009.

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

Overview

For the year ended 31 December 2008, the Group's turnover was $53.77 million, an increase of $11.93 million, or 28.5%, as compared to $41.84 million for the previous year. The net loss attributable to shareholders was $98.30 million, or $0.90 cents per share, as compared to net loss of $29.66 million, or $0.55 cents per share, for the year of 2007. On the balance sheet, at the year end, the total assets of the Group were $195.92 million, as compared $309.41 million at 31 December 2007, and the net assets of the Group at 31 December 2008 were $185.54 million, as compared $293.87 million at 31 December 2007.

Business Development

The Group has two principal lines of business. The first line of business is to develop, explore and produce crude oil and mining, such as graphite, in Asian countries. The second line of business is to provide electronic manufacturing services in the United Kingdom.

Through its wholly-owned subsidiary, Kalrez Petroleum (Seram) Limited, the Company operates oilfields in Indonesia under the Bula Petroleum Production Sharing Contract ("Bula PSC"), which the Group entered into with BPMIGAS, Department of Petroleum of Indonesia, on 22 May 2000. The Bula PSC will expire in 2019.

Through its 70.5% owned subsidiary, Heilongjiang Beifang Graphite Co., Ltd., the Company is engaged in the business of exploration, production and sale of graphite products in Luobei, Heilongjiang Province of China. The Company has five product lines producing all kinds of quality graphite products to meet different market requirements.

Through its wholly owned subsidiary Axiom Manufacturing Services Ltd. ("Axiom") in the United Kingdom, the Company provides electronics manufacturing services in the business-to-business or business-to-industry sectors and to original equipment manufacturers in the following market sectors:

- Medical devices
- Industrial control equipment
- Domestic appliances
- Computer and related products
- Testing and instrumentation products
- Ministry of Defense products

As a result of efficiently managing costs and assets, Axiom is able to offer its customers an outsourcing solution that represents a lower total cost of acquisition than that typically provided by the OEM's own manufacturing operation. OEMs sign contracts with Axiom to build their products or to obtain services related to product development and prototyping, volume manufacturing or aftermarket support.

In many cases Axiom builds products that carry the brand name of its customers and substantially all of Axiom's manufacturing services are provided on a turnkey basis whereby the Company purchases customer-specific components from suppliers, assembles the components onto printed circuit boards, performs post production testing and provide the customer with production process and test documentation. Axiom also provides manufacturing services on a consignment basis whereby material is provided by the customer for Axiom to build into finished printed circuit boards or products. Axiom offers its customers flexible just-in-time delivery programs, which allow product shipments to be closely coordinated with the customers' inventory requirements. Additionally Axiom completes the assembly of final products for its customers by integrating the manufactured printed circuit boards into the customers' finished products. Most of Axiom's customers are located within the United Kingdom.

Results of Operations

For the year ended 31 December 2008, the Group's turnover was $53.77 million, representing an increase of $11.93 million, or 28.5%, as compared to $41.84 million for the year of 2007. During the year, the turnover of the Group's crude oil operation was $17.23 million, an increase of $9.92 million, or 136%, as compared to $7.31 million of 2007. For the year the Group's graphite operation generated revenues of $5.96 million. The turnover of the Group's electronics manufacturing service operation in 2008 was $30.55 million, a decrease of $3.89 million, or 11.28%, as compared to $34.44 million for the year of 2007.

For the year ended 31 December 2008, the Group's had net loss of $98.30 million, or $0.90 cents per share, as compared to net loss of $29.63 million, or $0.55 cents per share for the last year. The loss in 2008 was largely due to written off of certain assets as a result of falling crude oil prices and worldwide financial crisis, such as approximately $77 million was results of written off exploratory dry hole costs, approximately $1.8 million was a result of an increase in oil revenue tax levied by the Indonesian government, approximately $12.3 million was due to unrealised loss in trading securities and approximately $10 million impairment of other receivable.

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 the Company's ordinary shares.

At 31 December 2008, the Group's cash and cash equivalents were $44.70 million, as compared to $90.52 million as at 31 December 2007. For the year ended 31 December 2008, the Group's operating activities used net cash of $25.25 million, largely due to net loss from operating activities. During the same period, the Group's investing activities used net cash of $20.33 million, primarily attributable to increase in additions to oil properties of $15.07 million. For the year ended 31 December 2008, the Group's financing activities used net cash of $1.97 million.

At 31 December 2008, the Group had no contingent liabilities. The Group believes that its cash balance and the cash generated from operations 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

At 31 December 2008, the Company had no off balance sheet arrangements.

Major Customers and Suppliers

During the year, the Group's purchases from the five largest suppliers accounted for approximately 41.26% of the Group's total purchases and purchases from the largest supplier included therein accounted for approximately 17.78% of the Group's total purchases.

During the year, the Group's sales to the five largest customers accounted for approximately 68.54% of the Group's total turnover and sales to the largest customer included therein accounted for approximately 32.05% of the Group's total sales.

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 2008 and 2007.

Employees and Remunerations Policies

At 31 December 2008, the Group had a total of approximately 571 full-time employees in Indonesia, the United Kingdom, Mainland China and Hong Kong. The Group believes that its relationship with its employees is satisfactory.

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 2008, 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 announcement, 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 2008, 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 2008, 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 pool 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 2008 (2007: 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 MODE CODE

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "Model Code") set 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.

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 2008.

On the date of this announcement, 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.

REVIEW BY THE AUDIT COMMITTEE

The financial results of the Company and its subsidiaries for the year ended 31 December 2008 have been reviewed by the Audit Committee of the Board of the Directors.

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 2008 Annual Report will also be dispatched to all shareholders of the Company before 30 April 2009.

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
Lee Sin Pyung
Managing Director

Hong Kong, 23 April 2009