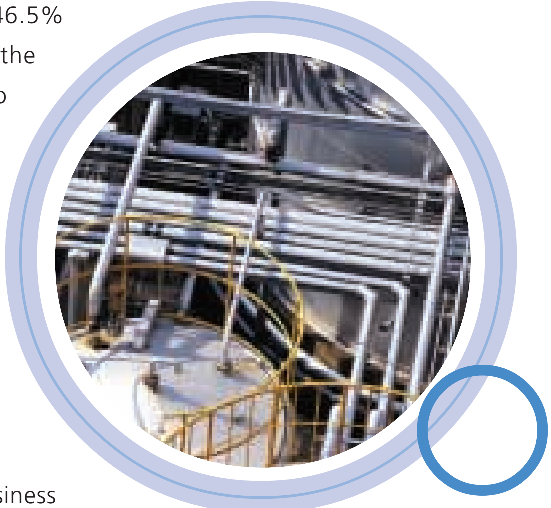
OVERVIEW

For the year ended 31 December 2004, the Company's total revenues increased 28.9%, or US$10.42 million, to US$46.39 million from US$35.97 million of the previous year. The net profit attributable to shareholders was US$1.144 million, or US$0.25 cents per share, as compared to net loss of US$5.94 million of the prior year. On the balance sheet, the total assets of the Company increased 46.5% to US$49.83 million at 31 December 2004 from US$34.01 million at the end of 2003, and the net assets of the Company increased 86.0% to US$25.37 million in 2004 from US$13.64 million in 2003.



The Company has two principal lines of business. The first is, through its wholly owned subsidiary Seaunion Energy (Limau) Ltd. ("Seaunion"), to develop, explore and produce crude oil in South Sumatra, Indonesia, and the second one is, through its subsidiary Axiom Manufacturing Services Ltd. ("Axiom"), to provide electronic manufacturing services in the United Kingdom.

During the year ended 31 December 2004, the Company's crude oil business was operated by Seaunion under a 15-year Enhanced Oil Recovery Contract (the "EOR Contract") with PERTAMINA, the Indonesia state-owned petroleum giant. The EOR Contract was expired on 31 December 2004. The Company has been negotiating with PERTAMINA for extension of the Contract or entering into a new agreement for years. No assurance can be given that the extension or a new contract will be granted and when it will be granted in the near future. In April 2005, the Company's wholly owned subsidiary, Global Select Limited, entered into a Share Purchase Agreement to acquire 65% of equity interest of PT. Cahaya Batu Raja Blok, a corporation organized in Indonesia ("PTCBRB"), for an aggregate consideration of US$5.8 million in cash. PTCBRB owns a Production Contract signed with the Petroleum Department (BPMIGAS) of the Indonesian Government. Pursuant to the Production Contract, PTCBRB will explore and develop crude oil and natural gas in Air Komering Block, an area with approximately 4,110 square kilometers located in Southern Sumatra, Indonesia for 30 years ending in 2034. The contract area under the Contract is estimated to have energy reserves of 250 million barrels of crude oil and 100,000 million cubic feet of natural gas.

In December 2004, the Company entered into a Service Contact, through the Department of Energy, with the Government of the Republic of Philippines. Under the Contract, the Company is granted a permission to exploit crude oil and natural gas in an area with 748,000 hectares, approximately 7,478 square kilometers, at Agusan – Davao Basin in Davao province, south of the Philippines. The initial exploitation term is seven years. After that, there are 25 years of production term. Pursuant to the Contract, the Company may sell the crude oil and natural gas it produces at market price on free market. The Company intends to incorporate a subsidiary in the Philippines to conduct the exploitation and production operations and to provide all necessary services, including technology and financing. The Company may also seek one or more qualified corporations to form a joint venture to conduct the exploitation and production operations.

Through Axiom, 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's 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 the customer to provide assembly and post-production testing services.

RESULTS OF OPERATIONS

The following table presents, for the periods indicated, the percentage relationship that certain items of the Company's statements of consolidated profit and loss account bear to turnover and the percentage increase or (decrease) in the dollar amount of such items:

	Percentage Year ended 2004 %	2003 %
Turnover	**100.0**	100.0
Cost of sales	**56.3**	60.1
Other revenue	**15.3**	6.0
Operating expenses	**54.5**	61.5
Finance costs	**(1)**	(1)
Profit/(loss) from operating activities	**4.4**	(15.6)
Income tax	**(1)**	–
Net income (loss)	**2.4**	(16.5)

For the year ended 31 December 2004, the Company's total turnover was US$46.39 million, of which US$18.33 million, or 39.5%, was derived from the Company's production of crude oil business, and US$28.05 million, or 60.5%, came from the Company's electronics manufacturing services.

During 2004, the Company's turnover from crude oil production increased by approximately 24.5% to US$18.33 million from US$14.78 million of the previous year. The increase was primarily due to increased oil price in the world market. For the year of 2004, the Company's turnover from its electronics manufacturing services increased 20.6% to US$28.04 million, as compared to US$23.30 million for the same period of the last year. The turnover increase in the Company's electronics manufacturing services was largely due to an increase in both of the number of the Company's customers and the size of orders taken from each of its customers.

For the year ended 31 December 2004, the Company's other revenue increased 226.3% to US$7.095 million from US$2.174 million for the same period of the last year. The increase in other revenue were primarily due to the following items: (i) the Company's UK subsidiary leased out a portion of its unused office spaces to third parties; (ii) the value of the Company's properties was increased; (iii) government grant; and (iv) other revenues.

Looking forward, market conditions are expected to be better in the year of 2005. As we mentioned earlier, the Company has entered into two contracts to exploit and develop crude oil and natural gas, one in Southern Sumatra, Indonesia and one in Davas, Philippines. The Company's electronics manufacturing services subsidiary in the UK will continue to bid for high value, low volume work winning as much new business from existing customers as possible while adding new customers to the portfolio, and will continue to focus on differentiating itself by providing a low cost, high quality efficient production facility to companies wishing to outsource their manufacturing.

GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended 31 December 2004, the Company's general and administrative expenses increased 14.3% to US$25.303 million from the last year's US$22.136 million. However, the Company's increase in general and administrative expenses were 14.3% as compared to 28.9% of the Company's increase in turnover. This means that during fiscal 2004, the Company's efficiency improved, which was largely due to the Company's better utilization and efficiency of labor, and its better product scheduling using its manufacturing resources planning system.

NET PROFIT

For the year ended 31 December 2004, the Company reported a net profit of US$1.144 million, or US$0.25 cents per share, as compared to net loss of US$5.94 million, or US$1.71 cents per share, for the same period of the previous year.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended 31 December 2004, the Company funded its business operations primarily by cash generated from its operations, and to a lesser extent, by issuance of convertible debentures. In 2004, the Company issued convertible debenture of US$9.216 million and received convertible debenture in advance of US$1.871 million. For the year 2004, the Company's financing activities provided net cash of US$11.723 million. The operating activities and investing activities of the Company used cash of US$11.913 million and US$601,000, respectively, for the year ended 31 December 2004. At 31 December 2004, the Company had cash balance of US$2.243 million, as compared to US$1.249 million at the end of 2003.

At 31 December 2004, the Company had no contingent liabilities. The Company believes that its cash generated from its operations are adequate to meet its operating needs. However, future cash flows are subject to a number of variables, including the Company's level of oil production and oil prices, demand for our electronics manufacturing services, and general global economic conditions. Many of the Company's competitors have significantly greater capital resources than that which is available to us. The Company may need to raise additional capital, in debt or equity, in order to successfully grow and compete.

EMPLOYEES

At 31 December 2004, the Company and its majority-owned subsidiaries had a total number of approximately 378 full-time employees in Indonesia, the United Kingdom and Hong Kong. The Company believes that its relationship with its employees is satisfactory. From time to time, the Company may also use the services of independent consultants and contractors to perform various professional services.

NAME CHANGE OF THE COMPANY

In order to better reflect the business nature of the Company, pursuant to a special resolution passed on 28 May 2004, the name of the Company was changed from Sen Hong Resources Holdings Limited (辛康海聯控股有限公司) to South Sea Petroleum Holdings Limited (南海石油控股有限公司) effective on 9 June 2004.

LEGAL PROCEEDINGS

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

FOREIGN EXCHANGE EXPOSURES

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

Lee Sin Pyung
Managing Director

Hong Kong, 25 April 2005