

China Petrotech Holdings Limited

First Quarter Financial Statement for the period ended 31 March 2005

1(a) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

		Group		
		3 months ended 31 March	3 months ended 31 March	
		2005	2004	+ / (-)
	Note	(Unaudited) Rmb'000	(Unaudited) Rmb'000	Change (%)
REVENUE		11,472	1,599	617
Cost of sales		(2,045)	(939)	117
GROSS PROFIT	1	9,427	660	1,328
Other income	2	1,949	14	13,821
Research and development costs	3	(873)	(549)	59
Selling and distribution costs	4	(256)	(1,090)	(76)
Administrative expenses	5	(2,508)	(915)	174
Other operating expenses		-	34	(100)
PROFIT FROM OPERATING ACTIVITIES		7,739	(1,846)	n.m.
Net finance income/(costs)		125	(63)	n.m.
PROFIT BEFORE TAX		7,864	(1,909)	n.m.
Income tax		-	-	-
NET PROFIT AFTER TAX ATTRIBUTABLE TO SHAREHOLDERS		7,864	(1,909)	n.m.

n.m. = not meaningful

Explanatory notes:

1. Gross profit margin was 82% for 1Q2005 compared with 41% achieved in 1Q2004. The relatively high gross margin enjoyed by the Group is mainly attributable to high percentage of sales from standard software products and software upgrades.
2. Other Income:-

	3 months ended 31 March	3 months ended 31 March
	31 March 2005	31 March 2004
	Rmb'000	Rmb'000
V A T refund *	1,923	-
Reversal of allowance for doubtful trade receivable	4	-
Net foreign exchange gain	22	-
Others	-	14
	1,949	14

* The Group is entitled to a refund of value added taxes (“VAT”) on the sales of standard software products. The VAT refund represents the amount of VAT paid in excess of 3% of software sales. The amount of VAT refund is calculated on a monthly basis and recognized as other revenue when the relevant tax authorities approve the refund.

3. The research and development costs increased 59% in 1Q2005 mainly due to the increase of staff cost.
4. The selling and distribution expenses decreased 76% in 1Q2005 due to lower selling and promotion expense for standardized software during the period.

5. The administrative expenses increased 174% in 1Q2005 mainly due to increase in executive directors' remuneration and staff costs of Rmb 1million, rental expenses and higher expenses as a public listed company of Rmb 0.5million.

Notes to Income Statement

		Group		
		3 months ended 31 March	3 months ended 31 March	Change
		2005	2004	+ / (-) %
	Note	Rmb'000	Rmb'000	
Other income	1	1,949	14	13,821
Interest income		127	8	1,487
Finance costs	2	2	71	(97)
Depreciation of property, plant and equipment		94	63	49
Amortization of intangible assets	3	1,992	355	461
Foreign exchange gain		(22)	(34)	(35)
Reversal of allowance for doubtful trade receivables		4	-	100

Notes :

1. The increase in other income is mainly due to increase in VAT refund as explained earlier.
2. Finance costs for the 1Q2004 is mainly due to the amortized discount on convertible loan in a subsidiary, Market Wisdom, prior to its conversion on 27 April 2004.

3. The increase in amortization of intangible assets in 1Q2005 is in line with a corresponding increase in intangible assets which are mainly the intellectual property rights of our IT solutions.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

		Group		Company	
		31 March 2005	31 December 2004	31 March 2005	31 December 2004
	Note	(Unaudited) Rmb'000	(Audited) Rmb'000	(Unaudited) Rmb'000	(Audited) Rmb'000
Non-Current Assets					
Investment in subsidiary	1	-	-	100,742	38,059
Property, plant and equipment	2	1,809	1,266	241	238
Intangible assets		15,839	17,832	-	-
		17,648	19,098	100,983	38,297
Current Assets					
Inventories		653	24	-	-
Trade and other receivables	3	25,150	12,455	434	213
Amounts due from subsidiaries			-	-	62,683
Cash and cash equivalents		126,605	131,685	3,557	5,515
		152,408	144,164	3,991	68,411
Current Liabilities					
Trade and other payables		(5,679)	(6,716)	(2,123)	(2,421)
Amounts due to directors		(644)	(677)	(644)	(677)
		(6,323)	(7,393)	(2,767)	(3,098)
NET CURRENT ASSETS		146,085	136,771	1,224	65,313

NET ASSETS		163,733	155,869	102,207	103,610
CAPITAL AND RESERVES					
Share capital		47,425	47,425	47,425	47,425
Reserves		116,308	108,444	54,782	56,185
		163,733	155,869	102,207	103,610

Notes :

1. The increase in Investment in subsidiary is due to quasi equity loan to the subsidiaries.
2. The increase in property, plant and equipment is mainly due to the acquisition of motor vehicles of Rmb 611,000.
3. Trade receivable increased Rmb 7.7 million and other receivable increased Rmb 4.5 million. The payment period of trade receivables by key customers is normally longer in the first quarter of the year and the payments will be sped up in later quarters of the year. The increase in other receivables is mainly due to prepayment for some hardware equipment from our overseas vendors.

1(b) (ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31/03/2005		As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
Rmb'000	Rmb'000	Rmb'000	Rmb'000
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 31/03/2005		As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
Rmb'000	Rmb'000	Rmb'000	Rmb'000
Nil	Nil	Nil	Nil

Details of any collateral :

Not applicable.

1(c) A cash flow statement (for the group) , together with a comparative statement for the corresponding period of the immediately preceding financial year.

		Group	
		3 months ended 31 March 2005	3 months ended 31 March 2004
	Note	Rmb'000	Rmb'000
Operating activities			
Profit from ordinary activities before taxation		7,864	(1,909)
Adjustments for :			
Depreciation of property, plant and equipment		94	63
Amortization of intangible assets		1,992	355
Finance costs		2	71
Interest income		(127)	(8)

Operating profit before changes in working capital		9,825	(1,428)
Changes in working capital			
Inventories		(629)	6
Trade and other receivables		(12,696)	4,514
Amount due from directors		-	44
Amount due to directors		(32)	1,185
Trade and other payables		(1,038)	(4,969)
Cash generated from operations		(4,570)	(648)
Interest received		127	8
Net cash from operating activities		(4,443)	(640)
Investing activities			
Purchase of property, plant and equipment		(637)	(386)
Acquisition of XCTC's undertakings	1	-	(12,037)
Addition of intangible assets		-	(2,886)
Net cash used in investing activities		(637)	(15,309)
Financing activities			
Net cash generated from financing activities		-	-
Net decrease in cash and cash equivalents		(5,080)	(15,949)
Cash and cash equivalents at beginning of the year		131,685	37,342
Cash and cash equivalents at end of		126,605	21,393

the period			

Note 1: This relates to the acquisition of XCTC's undertakings on 30 January 2004 as part of the Group's Restructuring Exercise for the IPO.

1d(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) Change in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity

The Group	Share Capital	Share Premium	Convertible Loan Reserve	Merger Reserve	Statutory Reserves	Accumulated Profits	Foreign Exchange Reserve	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At 1 January 2005	47,425	61,905	-	5,055	5,788	35,772	(76)	155,869
Profit for the year	-	-	-	-	-	7,864	-	7,864
At 31 March 2005	47,425	61,905	-	5,055	5,788	43,636	(76)	163,733

The Group	Share Capital	Share Premium	Convertible Loan Reserve	Merger Reserve	Statutory Reserve	Accumulated Profits	Foreign Exchange Reserve	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At 1 January 2004	10,083	-	433	-	4,962	29,324	-	44,802
Acquisition of XCTC's undertakings	(10,000)	-	-	32,249	(4,962)	(29,324)	-	(12,037)
Loss for the period	-	-	-	-	-	(1,909)	8	(1,901)
At 31 March 2004	83	-	433	32,249	-	(1,909)	8	30,864

The Company	Share Capital	Share Premium	Convertible Loan Reserve	Capital Reserve	Statutory Reserve	Accumulated Profits	Foreign Exchange Reserve	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At 1 January 2005	47,425	61,905	-	-	-	(5,720)	-	103,610
Loss for the period	-	-	-	-	-	(1,403)	-	(1,403)
At 31 March 2005	47,425	61,905	-	-	-	(7,122)	-	102,207

Note 1: China Petrotech Holdings Limited was incorporated in Singapore on 11 June 2003 (formerly known as Cenozoic Holdings Pte Ltd) for acquiring the shares in the existing companies of Market Wisdom and its subsidiary on 27 April 2004. The Company remained dormant till the end of 1Q2004 and no significant financial information could be presented for the statement of changes in equity for 1Q2004. Hence, the Company only presented the financial information for 1Q2005.

Basis of Preparation of Financial Information

The consolidated financial statements of China Petrotech Holdings Limited (the “Company”) and its subsidiaries (collectively known as the “Group”) for the period ended 31 March 2005 which combined the financial results of its subsidiaries acquired upon the completion of the Restructuring Exercise on 27 April 2004. Details of the Restructuring Exercise are described in the Company’s prospectus dated 31 May 2004.

The Company was incorporated in Singapore on 11 June 2003 (formerly known as Cenozoic Holdings Pte. Ltd.). On 27 April 2004, the Company completed the acquisition of the entire share capital in Market Wisdom International Limited (“Market Wisdom”) and its subsidiary, Xi’an Cenozoic Petro Tech Co., Ltd (“XCPT”), which are principally engaged in the provision of information technology solutions, design, development and sale of standardized software solutions. The Company was admitted to the Official list of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 9 June 2004.

For the purpose of inclusion in the prospectus of the Company, the combined financial statements of the Group for the period from 6 August 2001 to 31 December 2001 and the two years ended 31 December 2002 and 2003 (the “relevant period”) were prepared in a manner similar to the “pooling of interest” method as if the Restructuring Exercise and the transfer of all the assets, liabilities and undertakings of Xi’an Cenozoic Technology Co., Ltd (“XCTC”) (the

“Transfer”) had been completed on 6 August 2001. Such manner of presentation reflects the economic substance of the combining companies (namely XCTC, XCPT, Market Wisdom and the Company), which were under common control throughout the relevant period, as a single economic enterprise, although the legal parent-subsidary relationships were not established until 27 April 2004.

The consolidated financial statements for the year ended 31 December 2003 principally reflected the results and financial status of XCTC. However, it does not form part of the listing group pursuant to the Transfer on 30 January 2004.

As the Group’s acquisitions of the undertakings of XCTC and Market Wisdom on 30 January 2004 and 27 April 2004 constitute common control transactions, the consolidated financial statements of the Group for the period end 31 March 2005 and the financial year ending 31 December 2004 will be prepared in a manner similar to the “pooling of interest” method.

All intra-group transactions and balances among the companies comprising the Group are eliminated in the preparation of the consolidated financial statements.

1(d) (ii) Details of any changes in the company’s share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. Stated also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no movements in the Company’s share capital since 31 December 2004.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors, Messrs KPMG.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those of the audited financial statements for the year ended 31 December 2004.

5. There any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed as well as the reasons for, and the effect of, the change.

In 2005, the Group and the Company has adopted the new and revised Financial Reporting Standards. There is no material effect and changes to the Group's and the Company's accounting policies and methods of computation.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	3 months ended 31 March 2005	3 months ended 31 March 2004
Earnings/(loss) per ordinary share for the period based on net profit attributable to shareholders:		
Basic (Rmb cents) (Note 1)	3.22	(0.98)
Fully diluted (Rmb cents) (Note 1)	3.22	(0.98)

Note 1:		
Basic and fully diluted earnings per share were based on:		
Net profit/(loss) for the period (Rmb'000)	7,864	(1,909)
	No. of shares	No. of shares
Shares outstanding at the beginning of the period (Note 2)	244,535,400	195,535,400
Weighted average number of new shares issued during the period	-	-
Weighted average number of shares issued during the period (Basic and diluted)	244,535,400	195,535,400

Note 2. For illustrative purposes, it was assumed that the Restructuring Exercise had been completed on 1 January 2003 and the pre-invitation share capital of 195,535,400 shares had already been in issue on 1 January 2003.

7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the :-

(a) current financial period reported on ; and (b) immediately preceding financial year.

	Group		Company	
	31 March 2005	31 December 2004	31 March 2005	31 December 2004
Net asset value (Rmb'000)	163,733	155,869	102,207	103,610
Issued and fully paid ordinary shares	244,535,400	244,535,400	244,535,400	244,535,400
Net asset value per ordinary shares (Rmb cents)	66.96	63.74	41.80	42.37

8. A review of the performance for the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following :-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Business Review

Demand for the Group's software products and services for the first quarter of the year is traditionally subdued due to the budgeting and expenditure cycle of its key customers. However, the Group recorded RMB 11.5 million sales in the first quarter of 2005. The sharp increase was mainly due to contributions from new software products launched last year and software upgrades.

Software products contributed RMB9.3 million to Group revenue. Of which, RMB 6.4 million came from new software products and RMB 2.9 million from software upgrades. The balance of the revenue came from sales of one NMR system and technical services.

The Group has also recorded RMB 1.9 million refunds from the value-added tax paid in the last quarter of 2004.

Of the key expense items, R&D costs rose RMB 324,000 to RMB 873,000 due to new senior hires to improve the software development process, particularly in software architecture. The 76% decline in selling and distribution costs was mainly due to less large-scale product seminars and conferences held in the quarter under review. However, quarterly comparison of selling and distribution costs will not be meaningful as the timing of major sales seminars and conferences may change from year to year.

Increased in new senior hires to strengthen management team, increase in executive directors' remuneration, increase in rental expenses and higher expenses as a public listed company, resulted in 174% rise in administrative expenses to RMB 2.5 million.

With higher revenue, the Group recorded a net profit of RMB 7.9 million, translating into earnings per share of 3.2 RMB cents.

Financial Position and Liquidity

As at 31 March 2005, the Group maintained a strong balance sheet with a cash balance of RMB 126.6 million or 51.8 RMB cents per share.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The financial performance of the Group in 1Q2005 is in line with the prospect statement made in the 2004 final results announcement dated 24 February 2005.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group remains positive on the business outlook for 2005. It expects sales of new software products and software upgrades to contribute to the organic growth in software revenue.

In January 2005, it announced the acquisition of a 70% stake in Shaanxi Long Top Technology Co Ltd. It expects legal completion in June 2005 instead of March 2005 expected earlier. The delay was mainly due to legal processes to obtain approvals from various Chinese government departments. The acquisition will strengthen further the Group's competitive position as a software and technology service provider to the China oil and gas industry.

The Group has also commenced preliminary studies into the development of small marginal oil fields in China and Indonesia on an enhanced recovery basis with strategic partners. Financial commitment from the Group in these development projects would be within its current internal financial resources.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

(b) Corresponding Period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year? None.

(c) Date payable

Not applicable.

(d) Book Closure Date

Not applicable.

12. If no dividend has been declared/recommend, a statement to that effect.

No dividend was declared for the 3 months ended 31 March 2005.

PART II-ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer 's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable.

14. In review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable.

15. A breakdown of sales.

Not applicable

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Total Annual Dividend (refer to Para 16 of appendix 7.2 for the required details)

	Latest Full Year 2005 (Rmb million)	Previous Full Year 2004 (Rmb million)
Ordinary	Nil	Nil
Preference	Nil	Nil
Total :	Nil	Nil

By Order of the Board

William Chan Shut Li
Chairman of the Board
11 May 2005