

# China Petrotech Holdings Limited

## First Quarter Financial Statement for the period ended 31 March 2006

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

	Note	Group		
		3 months ended 31 March	3 months ended 31 March	
		2006	2005	+ / (-)
		(Unaudited) RMB'000	(Unaudited) RMB'000	Change (%)
<b>REVENUE</b>		<b>19,464</b>	<b>11,472</b>	70
Cost of sales		(5,322)	(2,045)	160
<b>GROSS PROFIT</b>	1	<b>14,142</b>	<b>9,427</b>	50
Other income	2	1,567	1,949	(20)
Research and development costs	3	(1,322)	(873)	51
Selling and distribution costs	4	(505)	(256)	97
Administrative expenses	5	(4,359)	(2,508)	74
Other operating expenses	6	(502)	-	n.m
Net finance income		57	125	(54)
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX</b>		<b>9,078</b>	<b>7,864</b>	<b>15</b>
Income tax		-	-	-
<b>PROFIT FOR THE PERIOD</b>		<b>9,078</b>	<b>7,864</b>	<b>15</b>
<b>ATTRIBUTABLE TO:</b>				
<b>Equity holders of the parent</b>		<b>8,926</b>	<b>7,864</b>	<b>14</b>
<b>Minority interests</b>		<b>152</b>	<b>-</b>	<b>n.m.</b>
<b>PROFIT FOR THE PERIOD</b>		<b>9,078</b>	<b>7,864</b>	<b>15</b>

n.m : not meaningful

Explanatory notes:

- Gross profit margin was 73% for 1Q2006 compared with 82% achieved in 1Q2005. The decrease in gross margin was mainly due to the increase in the portion of service revenue of the total revenue, which has lower margins than software sale revenue.
- Other Income comprises:-

	Note	3 months ended 31 March 2006 RMB'000	3 months ended 31 March 2005 RMB'000
Value added taxes ("VAT") refund	(i)	1,567	1,923
Reversal of allowance for doubtful trade receivable		-	4

Net foreign exchange gain		-	22
		1,567	1,949

- (i) The Group is entitled to a refund of VAT on the sales of self-developed software. 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 income when the relevant tax authorities approve the refund.
- The research and development costs increased 51% in 1Q2006 mainly due to the increase of staff cost by acquiring new subsidiaries; Shaanxi Long Top Technology Co. Ltd (“Shaanxi Long Top”), Ba Zhou Zhong You Yang Guang Oil & Gas Technology Limited Company (“BZZY”) and Xi’an Cenozoic Oilfield Information Engineering Co., Ltd (“XCOIE”).
  - The selling and distribution expenses increased 97% in 1Q2006 was mainly attributed to the new subsidiaries; Shaanxi Long Top, BZZY and XCOIE.
  - The administrative expenses increased 74% in 1Q2006 was mainly attributed to the new subsidiaries; Shaanxi Long Top, BZZY and XCOIE.
  - The other operating expenses in 1Q2006 mainly attributed by the expenses incurred for exploring new overseas business opportunities during the period.

#### Notes to Income Statement

	Group		
	3 months ended 31 March	3 months ended 31 March	Change
	2006	2005	+ / (-) %
	RMB'000	RMB'000	
Other income	1,567	1,949	(20)
Interest income	62	127	(51)
Finance costs	5	2	150
Depreciation of property, plant and equipment	159	94	69
Amortization of intangible assets	1,641	1,992	(18)
Foreign exchange gain	(15)	(22)	(32)
Reversal of allowance for doubtful trade receivables	-	4	n.m.

**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.**

		<b>Group</b>		<b>Company</b>	
		<b>31 March 2006</b>	<b>31 December 2005</b>	<b>31 March 2006</b>	<b>31 December 2005</b>
	Note	(Unaudited) RMB'000	(Audited) RMB'000	(Unaudited) RMB'000	(Audited) RMB'000
<b>Non-Current Assets</b>					
Property, plant and equipment		2,070	1,875	193	207
Intangible assets		23,740	25,381	-	-
Subsidiaries	1	-	-	177,390	174,285
		<b>25,810</b>	<b>27,256</b>	<b>177,583</b>	<b>174,492</b>
<b>Current Assets</b>					
Inventories		2,024	1,840	1,617	1,617
Trade and other receivables		64,268	63,847	523	618
Cash and cash equivalents	2	131,790	124,290	11,580	7,992
		<b>198,082</b>	<b>189,977</b>	<b>13,720</b>	<b>10,227</b>
<b>Total assets</b>		<b>223,892</b>	<b>217,233</b>	<b>191,303</b>	<b>184,719</b>
<b>Equity attributable to equity holders of the parent</b>					
<b>Share capital</b>	3	109,330	47,425	109,330	47,425
<b>Reserves</b>	3	97,430	150,491	(1,253)	63,478
		<b>206,760</b>	<b>197,916</b>	<b>108,077</b>	<b>110,903</b>
<b>Minority interests</b>		7,280	6,528	-	-
<b>Total equity</b>		<b>214,040</b>	<b>204,444</b>	<b>108,077</b>	<b>110,903</b>
<b>Non-current liability</b>					
<b>Deferred tax liability</b>		460	460	-	-
<b>Current Liabilities</b>					
Trade and other payables	4	9,392	12,329	2,064	2,985
Amounts due to subsidiary		-	-	81,162	70,831
<b>Total liabilities</b>		<b>9,852</b>	<b>12,789</b>	<b>83,226</b>	<b>73,816</b>
<b>Total equity and liabilities</b>		<b>223,892</b>	<b>217,233</b>	<b>191,303</b>	<b>184,719</b>

Notes :

1. In 2005, the Company incorporated a wholly-owned subsidiary XCOIE in Xi'an, PRC, with a registered and paid up capital of HK\$5 million. The Company contributed RMB 3.1 million as paid up capital to XCOIE during the period of 1Q2006.
2. The increase of cash and cash equivalents is mainly attributed to the positive profit for the period.
3. Please refer to 1(d) (ii).
4. The decrease of trade and other payables is mainly due to a decrease in advanced payments from customers during the 1Q2006.

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

**Amount repayable in one year or less, or on demand**

<b>As at 31/03/2006</b>		<b>As at 31/12/2005</b>	
Secured	Unsecured	Secured	Unsecured
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
RMB'000	RMB'000	RMB'000	RMB'000
Nil	Nil	Nil	Nil

**Amount repayable after one year**

<b>As at 31/03/2006</b>		<b>As at 31/12/2005</b>	
Secured	Unsecured	Secured	Unsecured
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
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.

		<b>Group</b>	
		<b>3 months ended 31 March 2006</b>	<b>3 months ended 31 March 2005</b>
	Note	<b>(Unaudited) RMB'000</b>	<b>(Unaudited) RMB'000</b>
<b>Operating activities</b>			
<b>Profit from ordinary activities before taxation</b>		<b>9,078</b>	<b>7,864</b>
<b>Adjustments for :</b>			
Depreciation of property, plant and equipment		159	94
Amortization of intangible assets		1,641	1,992
Finance costs		5	2
Interest income		(62)	(127)
<b>Operating profit before changes in working capital</b>		<b>10,821</b>	<b>9,825</b>
<b>Changes in working capital</b>			
Inventories		153	(629)
Trade and other receivables		897	(12,696)
Amount due to directors		-	(32)
Trade and other payables		(4,354)	(1,038)
<b>Cash generated from operations</b>		<b>7,517</b>	<b>(4,570)</b>
Interest received		62	127
Interest paid		(5)	-
<b>Cash flows from operating activities</b>		<b>7,574</b>	<b>(4,443)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(355)	(637)
Net cash inflow on acquisition of a subsidiary		281	-
<b>Cash flows from investing activities</b>		<b>(74)</b>	<b>(637)</b>
<b>Financing activities</b>			
<b>Cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7,500</b>	<b>(5,080)</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>124,290</b>	<b>131,685</b>
<b>Cash and cash equivalents at end of the period</b>		<b>131,790</b>	<b>126,605</b>

**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**

<b>The Group</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Merger reserve</b>	<b>Statutory reserves</b>	<b>Foreign exchange reserve</b>	<b>Accumulated profits</b>	<b>Total attributable to equity holders of the parents</b>	<b>Minority interest</b>	<b>Total equity</b>
	<b>(Unaudited) RMB'000</b>	<b>(Unaudited) RMB'000</b>	<b>(Unaudited) RMB'000</b>	<b>(Unaudited) RMB'000</b>	<b>(Unaudited) RMB'000</b>	<b>(Unaudited) RMB'000</b>	<b>(Unaudited) RMB'000</b>	<b>(Unaudited) RMB'000</b>	<b>(Unaudited) RMB'000</b>
<b>At 1 January 2005</b>	47,425	61,905	5,055	5,788	(76)	35,772	155,869	-	155,869
Profit for the period	-	-	-	-	-	7,864	7,864	-	7,864
<b>At 31 March 2005</b>	47,425	61,905	5,055	5,788	(76)	43,636	163,733	-	163,733
<b>At 1 January 2006</b>	47,425	61,905	5,055	5,788	7	77,736	197,916	6,528	204,444
Acquisition of subsidiary	-	-	-	-	-	-	-	600	600
Profit for the period	-	-	-	-	-	8,926	8,926	152	9,078
Transfer of share premium	61,905	(61,905)	-	-	-	-	-	-	-
Exchange differences arising from translation of an overseas subsidiary	-	-	-	-	(82)	-	(82)	-	(82)
<b>At 31 March 2006</b>	109,330	-	5,055	5,788	(75)	86,662	206,760	7,280	214,040

<b>The Company</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Foreign exchange reserve</b>	<b>Accumulated (losses)/profits</b>	<b>Total</b>
	<b>(Unaudited) RMB'000</b>	<b>(Unaudited) RMB'000</b>	<b>(Unaudited) RMB'000</b>	<b>(Unaudited) RMB'000</b>	<b>(Unaudited) RMB'000</b>
<b>At 1 January 2005</b>	47,425	61,905	-	(5,720)	103,610
Loss for the period	-	-	-	(1,403)	(1,403)
<b>At 31 March 2005</b>	47,425	61,905	-	(7,122)	102,207
<b>At 1 January 2006</b>	47,425	61,905	-	1,573	110,903
Loss for the period	-	-	-	(2,826)	(2,826)
Transfer of share premium	61,905	(61,905)	-	-	-
<b>At 31 March 2006</b>	109,330	-	-	(1,253)	108,077

**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.**

As at 31 December 2005, the authorized share capital of the Company was S\$20,000,000 comprising 500,000,000 ordinary shares of S\$0.04 each and the issued and paid-up capital of the Company was S\$9,781,416 (RMB47,425,000) comprising 244,535,400 ordinary share of S\$0.04 each.

The Companies (Amendment) Act 2005 came into effect on 30 January 2006 ("Amendments"). Among other things, the Companies Act was amended to abolish the concepts of par value, authorized share capital, share premium, capital redemption reserve and share discounts.

	<b>As at 31/03/2006 before the Amendments S\$,000</b>	<b>As at 31/03/2006 after the Amendments S\$,000</b>
<b>Authorised Share Capital (S\$)</b>		
500,000,000 ordinary shares of S\$0.04 each	20,000	abolished
<b>Share Capital</b>		
Issued and fully paid-up share capital	9,781	22,637
Share premium	12,856	abolished
	-----	
<b>Total share capital</b>	22,637	22,637
	=====	

As the result of the Amendments, as at 31 March 2006, the issued and paid-up capital of the company was S\$22,637,000 (RMB109,330,000) comprising 244,535,400 ordinary shares.

**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.

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.**

The same accounting policies and methods of computation in the financial statements have been consistently applied by the Group for the periods presented.

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.**

Not applicable.

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.**

	<b>3 months ended 31 March 2006</b>	<b>3 months ended 31 March 2005</b>
<b>Earnings per ordinary share for the period based on net profit attributable to shareholders:</b>		
<b>Basic &amp; fully diluted (RMB cents) (Note 1)</b>	<b>3.65</b>	<b>3.22</b>
Note 1:		
Basic and fully diluted earnings per share were based on:		
<b>Net profit for the period (RMB'000)</b>	<b>8,926</b>	<b>7,864</b>
	<b>No. of shares</b>	<b>No. of shares</b>
Shares outstanding at the beginning of the period	244,535,400	244,535,400
Weighted average number of new shares issued during the period	-	-
<b>Weighted average number of shares issued during the period (Basic and diluted)</b>	<b>244,535,400</b>	<b>244,535,400</b>



**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.**

	<b>Group</b>		<b>Company</b>	
	<b>31 March 2006</b>	<b>31 December 2005</b>	<b>31 March 2006</b>	<b>31 December 2005</b>
<b>Net asset value per ordinary shares (RMB cents)</b>	87.53	83.60	44.20	45.35
<b>Net asset value (RMB'000)</b>	214,040	204,444	108,077	110,903
<b>Issued and fully paid ordinary shares</b>	244,535,400	244,535,400	244,535,400	244,535,400

**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**

The Group revenue for the first quarter of the year grew by 70% to RMB19.5 million. The growth was mainly attributable to its new business activity – Oilfield Services - which contributed RMB 11.2 million.

The Group also recorded Other Income of RMB1.6 million, due to refunds from the value-added tax paid in the previous year.

Research and Development costs rose 51% to RMB1.3 million as the Group continued to invest in R&D to maintain its competitive edge. Selling and distribution and administrative expenses rose 76% to RMB4.9 million collectively due to an increase in staff strength and operating expenses of new subsidiaries - Shaanxi Long Top, BZZY and XCOIE. The Group also incurred other operating expenses of RMB0.5 million for the exploration of new overseas business opportunities.

Group net profit rose 14% for the first quarter of the year to RMB8.9 million. This translates into an earnings per share of 3.65 RMB cents.

## **Financial Position and Liquidity**

Group total assets stood at RMB223.9 million as at 31 March 2006. Of this, RMB131.8 million was cash and cash equivalents (or 53.9 RMB cents per share). Trade and other receivables stood at RMB64.3 million (31 December 2005 : RMB63.8 million). The Group has no borrowings.

### **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 1Q2006 is in line with the prospect statement made in the 2005 final results announcement dated 27 February 2006.

### **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 management remains optimistic on the Group's business prospects. The outlook for the global oil and gas industry remains rosy and demand, especially from China, is expected to be sustained to fuel economic growth.

The Group's traditional business of software sales and software-related services remains healthy. Xi'an Cenozoic Petro Tech Co. Ltd. has recently clinched a 3-year software service contract in China worth an estimated RMB 3.0 million annually.

In oilfield services, contributions from the two China contracts will continue to flow in. In addition, the Group expects the Cambodian offshore oilfield service contract to start contributing from the second half of 2006.

The Group is also actively negotiating business opportunities in Indonesia, having entered into a partnership agreement with the EOR Research Center of the PetroChina Group in 2005 to engage in enhanced oil recovery projects outside China.

### **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 2006.

**By Order of the Board**

**William Chan Shut Li  
Chairman of the Board  
15 May 2006**