

PETROTECH

CHINA PETROTECH HOLDINGS LIMITED

First Quarter Financial Statement for the period ended 31 March 2008

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 2008	3 months ended 31 March 2007	+ / (-)
		(Unaudited) RMB'000	(Unaudited) RMB'000	Change (%)
Revenue		7,531	9,744	(23)
Cost of sales		(4,861)	(1,787)	172
Gross profit		2,670	7,957	(66)
Other income	1	720	-	n.m.
Research and development costs		(497)	(1,272)	(61)
Selling and distribution costs	2	(1,161)	(495)	135
Administrative expenses		(4,430)	(4,091)	8
Other operating expenses		-	(358)	n.m.
Interest income		74	188	(61)
Finance costs		(3)	(3)	-
Share of losses of associates		(338)	-	n.m.
(Loss)/profit from continuing operations before taxation		(2,965)	1,926	n.m.
Income tax		-	-	-
(Loss)/profit for the period		(2,965)	1,926	n.m.
Attributable to:				
Equity holders of the parent		(2,686)	3,263	n.m.
Minority interests		(279)	(1,337)	(79)
(Loss)/profit for the period		(2,965)	1,926	n.m.

n.m.: not meaningful

Notes:

1. Other income in 1Q08 comprised of foreign exchange gain of RMB474,000 and deferred income reversal of RMB246,000.
2. The increase in selling and distribution costs was mainly attributed to increasing business development activities in China and Indonesia.

Notes to Income Statement:

	Group		
	3 months ended 31 March	3 months ended 31 March	
	2008	2007	+ / (-) %
	(Unaudited) RMB'000	(Unaudited) RMB'000	Change
Depreciation of property, plant and equipment	2,196	162	1,256
Amortization of intangible assets	308	1,258	(76)
Foreign exchange (gain)/loss	(474)	358	.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.

		Group		Company	
		31 March 2008	31 December 2007	31 March 2008	31 December 2007
	Note	(Unaudited) RMB'000	(Audited) RMB'000	(Unaudited) RMB'000	(Audited) RMB'000
Non-current Assets					
Property, plant and equipment	1	72,535	70,117	132	150
Intangible assets		932	1,241	-	-
Subsidiaries		-	-	139,116	139,116
Investment in associates		49,172	49,510	49,172	49,510
		122,639	120,868	188,420	188,776
Current assets					
Inventories		3,908	3,791	1,660	1,660
Trade and other receivables	2	22,447	21,040	281	281
Amount due from subsidiaries		-	-	24,257	24,249
Amount due from an associate		49,997	49,528	5,664	5,252
Cash and cash equivalents		102,279	121,637	20,818	32,545
		178,631	195,996	52,680	63,987
Total assets		301,270	316,864	241,100	252,763
Equity attributable to equity holders of the parent					
Share capital		196,425	196,425	196,425	196,425
Reserves		42,484	46,632	(24,022)	(22,721)
		238,909	243,057	172,403	173,704
Minority interest		6,378	6,657	-	-
Total equity		245,287	249,714	172,403	173,704
Non-current liability					
Deferred tax liability		390	390	-	-
Total non-current liability		390	390	-	-
Current liabilities					
Trade and other payables		54,855	56,001	15,977	16,533
Amounts due to subsidiaries		-	-	52,720	53,413
Amounts due to related company		-	2,242	-	1,580
Amounts due to a director		-	7,533	-	7,533
Deferred income		738	984	-	-
Total current liabilities		55,593	66,760	68,697	79,059
Total liabilities		55,983	67,150	68,697	79,059
Total equity and liabilities		301,270	316,864	241,100	252,763

Notes:

1. The increase of property, plant and equipment was mainly attributed to development expenditures for Shaanbei oil production during the period.
2. Trade receivable decreased by RMB1.1 million to RMB15.0 million. Other receivables increased by RMB2.5 million were mainly attributed to prepayment for equipments to our vendors during the period.

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

Amount repayable in one year or less, or on demand

As at 31/03/2008		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
(Unaudited)	(Unaudited)	(Audited)	(Audited)
RMB'000	RMB'000	RMB'000	RMB'000
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 31/03/2008		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
(Unaudited)	(Unaudited)	(Audited)	(Audited)
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 2008	3 months ended 31 March 2007
	Note	(Unaudited) RMB'000	(Unaudited) RMB'000
Operating activities			
(Loss)/profit from ordinary activities before taxation		(2,965)	1,926
Adjustments for :			
Depreciation of property, plant and equipment		2,196	162
Amortization of intangible assets		308	1,258
Finance costs		3	3
Interest income		(74)	(188)
Share Based Payment transfer to equity reserve		35	772
Deferred income reversal		(246)	-
Share of losses of associates		338	-
Operating (loss)/profit before working capital changes		(405)	3,933
Changes in working capital:			
Inventories		(117)	(17)
Trade and other receivables		(1,407)	(7,915)
Amount due from an associate		(469)	-
Amount due to directors		(7,533)	-
Trade and other payables		(3,388)	(7,463)
Cash used in operations		(13,319)	(11,462)
Interest received		74	188
Interest paid		(3)	(3)
Cash used in operating activities		(13,248)	(11,277)
Investing activities			
Purchase of property, plant and equipment		(4,613)	(229)
Increase in intangible assets		-	(28,469)
Cash used in investing activities		(4,613)	(28,698)
Financing activities			
Net proceeds from shares issued under convertible notes		-	38,865
Cash flows from financing activities		-	38,865
Net decrease in cash and cash equivalents		(17,861)	(1,110)
Cash and cash equivalents at beginning		121,637	100,760

of the period			
Effect of foreign exchange rates changes		(1,497)	-
Cash and cash equivalents at end of the period		102,279	99,650

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	Merger reserve	Statutory /equity reserve	Foreign exchange reserve	Accumulated profits/(loss)	Total attributable to equity holders of the parents	Minority interest	Total equity
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
At 1 January 2007	109,330	5,055	5,788	(1,102)	91,756	210,827	51,049	261,876
Net proceed of issued shares under convertible notes	38,865	-	-	-	-	38,865	-	38,865
Profit for the period	-	-	-	-	3,263	3,263	(1,337)	1,926
Transfer of SBP to equity reserve	-	-	772	-	-	772	-	772
Exchange differences arising from translation of an overseas subsidiary	-	-	-	(255)	-	(255)	9	(246)
At 31 March 2007	148,195	5,055	6,560	(1,357)	95,019	253,472	49,721	303,193
At 1 January 2008	196,425	5,055	9,004	(4,200)	36,773	243,057	6,657	249,714
Loss for the period	-	-	-	-	(2,686)	(2,686)	(279)	(2,965)
Transfer of SBP to equity reserve	-	-	35	-	-	35	-	35
Exchange differences arising from translation of an overseas subsidiary	-	-	-	(1,497)	-	(1,497)	-	(1,497)
At 31 March 2008	196,425	5,055	9,039	(5,697)	34,087	238,909	6,378	245,287

The Company	Share capital	Statutory/e equity reserve	Accumulated (losses)/profits	Total
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
At 1 January 2007	109,330	-	(18,157)	91,173
Net proceed of issued shares under convertible notes	38,865	-	-	38,865
Profit for the period	-	-	17,683	17,683
Transfer of SBP to equity reserve	-	772	-	772
At 31 March 2007	148,195	772	(474)	148,493
At 1 January 2008	196,425	3,216	(25,937)	173,704
Loss for the period	-	-	(1,336)	(1,336)
Transfer of SBP to equity reserve	-	35	-	35
At 31 March 2008	196,425	3,251	(27,273)	172,403

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 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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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.

On 3 January 2007, the Company entered into a subscription agreement with Pacific Capital Investment Management Limited ("PCIM"), whereby the Company issued unsecured non-interest bearing convertible notes, each with a principal value of S\$50,000 amounting in aggregate to sum of up to S\$8,000,000. By 31 March 2007, PCIM had converted the notes in full.

On 13 November 2007, the Company entered into a subscription agreement with various investors, whereby the Company allotted and issued 24,420,019 ordinary shares to them on 19 December 2007.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The Company does not have any treasury shares. Total number of issued share as at 31 March 2008 and 31 December 2007 were 290,960,419.

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

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.**

	3 months ended 31 March 2008	3 months ended 31 March 2007
(Loss)/earnings per ordinary share for the period based on net (loss)/profit attributable to shareholders:		
Basic & fully diluted (RMB cents) (Note 1)	(0.92)	1.30
Note 1:		
Basic and fully diluted (loss)/earnings per share were based on:		
Net (loss)/profit for the period (RMB'000)	(2,686)	3,263
	No. of shares	No. of shares
Shares outstanding at the beginning of the period	290,960,419	244,535,400
Weighted average number of new shares issued during the period	-	7,112,156
Weighted average number of shares issued during the period (Basic and diluted)	290,960,419	251,647,556

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued share excluding treasury share of the issuer at the end of the:-

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

	Group		Company	
	31 March 2008	31 December 2007	31 March 2008	31 December 2007
Net asset value per ordinary shares (RMB cents)	82.11	83.54	59.25	59.70
Net asset value (RMB'000)	238,909	243,057	172,403	173,704
Issued and fully paid ordinary shares	290,960,419	290,960,419	290,960,419	290,960,419

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.

Revenue Analysis

Revenue (RMB'000)	1Q2008	1Q2007	+/(-) % change
Oil Production contracts	4,774	-	n.m.
Oilfield services	1,707	1,638	4
Software & related services	1,050	8,106	(87)
Others	-	-	-
Total	7,531	9,744	(23)

For the quarter under review, the Group registered total revenue of RMB7.5 million (versus RMB9.7 million in 1Q07), gross profit of RMB2.7 million (versus RMB8.0 million in 1Q07), and loss attributable to shareholders of RMB2.7 million (versus profit attributable to shareholders of RMB3.3 million in 1Q07).

The main difference in the results, quarter on quarter, is the significantly less contribution from software sales and related services in the current quarter as the Group pared down this business. Oil Production contracts from Shaanbei made up 63% of total revenue, as the Group moves its business focus gradually to oil production and exploration.

Oilfield services

In 1Q08, oilfield services recorded revenue of RMB1.7 million, compared to RMB1.6 million in 1Q07. Contribution came mainly from oilfield services provided to our associate CPHLC. There was also an absence of contribution from, Ba Zhou Zhong You Yang Guang Oil & Gas Technology Co., Ltd as no new contracts for mud logging services had been signed this year. This is a trend that is in line with the Group's stance to shift away from software related oilfield services.

Oil Production Contracts

Revenue from oil production contracts registered RMB4.8 million in 1Q08 versus nil in 1Q07 as the Company only started its oil production contracts in 2Q07. However, 1Q08 revenue was lower than 4Q07 revenue due to the harsh weather condition during the winter period, and also the shut down of some production wells for maintenance. Currently, revenue from oil production contract is derived solely from the 33 km² working area in Shaanbei, where the Company provided drilling and production services to Ganquan Daming Company. As at 31 March 2008, the number of wells drilled stood at 96.

Software and related services

Contribution from software sales and related services registered RMB1.1 million in 1Q08 compared to RMB8.1 million in 1Q07 owing to the Company's tight credit control policy for this business segment due to poor receivables history.

Cost and Earnings Analysis

Gross profit was down 66% from RMB8.0 million to RMB2.7 million as a result of the change in business mix. Software sales typically command much higher margin than oil production contracts.

Selling and distribution costs were higher at RMB1.2 million in 1Q08 compared to RMB0.5 million in 1Q07 as a result of business development activities in Indonesia and Cambodia. Administrative expenses increased from RMB4.1 million to RMB4.4 million due to an expanded E&P team in the Group. All other costs has declined, resulting in a 2.1% decrease in total operating costs from RMB6.2 million to RMB6.1 million.

As a result of lower revenue and lower gross and operating margins, the Group registered a loss attributable to share holders of RMB2.7 million.

Financial Position and Liquidity

The group had a cash balance of RMB102.3 million as at 31 March 2008. Property, plant and equipment stood at RMB72.5 million related mainly to development expenditures for Shaanbei oil production.

Trade receivable decreased by RMB1.1 million to RMB15.0 million while other receivables increased by RMB2.5 million. The increase in other receivables was mainly attributed to prepayments for equipment to our vendors during the period.

Total assets stood at RMB301.3 million, down from RMB316.9 million.

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

The Group did not make any forecast or prospect statement in the last results announcement dated 27 February 2008.

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.

As stated in our last results announcement, revenue and income model of China Petrotech Holdings Limited will be transformed almost completely from previous years to reflect the Group's new business model. This has been shown in 1Q08 results as we start to build up our oil production business.

However, although oil production contracts in Shaanbei is progressing, oil production volume is below our expectation as the average oil production per well is lower than expected. As a result, our production team is slowing down the drilling of wells in Shaanbei for further analysis and to focus on improving the production output of the well.

In addition, the Company is also planning to acquire another production oil field in the northeastern part of China.

For the Cambodia Offshore Oil Field Block D PSC ("Block D"), our associate, CPHL Cambodia is currently working with an international investment bank to farm out partial working interests of the block. We expect this to be completed in the next few months.

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 2008.

Statement by Directors

Pursuant to SGX Listing Rule 705(4)

To the best of our knowledge and belief, nothing has come to the attention of the Directors of the Company which may render the First Quarter Results of the Group for the financial period ended 31 March 2008 to be false or misleading. The financial statements and other information included in this report, present fairly in all material respects the financial condition, results of operations and cash flows of the Group of, and for, the period presented in this report.

By Order of the Board

**William Chan Shut Li
Chairman of the Board**

**Lui Che Kin
Director & CFO**

15 May 2008