

China Petrotech Holdings Limited
Company No. 200305397E

Second Quarter Financial Statement for the Period ended 30th June, 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			Group		
		3 months ended 30 June	3 months ended 30 June	Change +/-	6 months ended 30 June	6 months ended 30 June	Change +/-
		(Unaudited) RMB'000	(Unaudited) Re-stated* RMB'000	(%)	(Unaudited) RMB'000	(Unaudited) Re-stated* RMB'000	(%)
Revenue		22,278	13,386	66	41,742	24,858	68
Cost of sales		(3,363)	(2,144)	57	(8,685)	(4,189)	107
Gross Profit		18,915	11,242	68	33,057	20,669	60
Other income	1	2	926	(100)	1,569	2,849	(45)
Research and development costs	2	(1,368)	(854)	60	(2,690)	(1,726)	56
Selling and distribution costs	3	(1,136)	(326)	248	(1,641)	(582)	182
Administrative expenses	4	(3,609)	(3,627)	(1)	(7,968)	(6,136)	30
Other operating expenses	5	(179)	(36)	397	(681)	(10)	6,710
Net finance income/(costs)		70	78	(10)	127	203	(37)
Profit from continuing operations before taxation		12,695	7,403	71	21,773	15,267	43
Income tax expense		-	-	-	-	-	-
Profit for the period		12,695	7,403	71	21,773	15,267	43
Attributable to:							
Equity holders of the parent		12,455	7,547	65	21,381	15,411	39
Minority interest		240	(144)	n.m.	392	(144)	n.m.
Profit for the period		12,695	7,403	71	21,773	15,267	43

n.m. = not meaningful

* In the 2Q2005 results announced on 12 August 2005, the Group recognized revenue of RMB5.7 million from the consolidation of Shaanxi Long Top's results as part of the Group's financial results. This item has been reclassified during the full year result announcement released on 27 February 2006 as pre-acquisition sales which accrued to the previous shareholders.

Explanatory notes:

1. Other income comprises:

	3 months ended	3 months ended	6 months ended	6 months ended
	30 June 2006	30 June 2005	30 June 2006	30 June 2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
VAT refund *	2	926	1,569	2,849
	2	926	1,569	2,849

* The Group is entitled to a refund of value added tax (“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 recognized as other revenue when the relevant tax authorities approve the refund.

- The research and development (R&D) costs increased by 60% in 2Q2006 and 56% in 1H2006 as compared to the corresponding periods in 2005. The increase was mainly attributed to R&D projects carried out by new subsidiaries of the Group.
- The selling and distribution expenses increased by 248% in 2Q2006 and 182% in 1H2006 as compared to the corresponding periods in 2005. The increase was mainly due to our business expansion into oilfield services in China. The selling expense for service business is by nature higher as compared to standardized software business.
- The 30% increase in administrative expenses in 1H2006 was in line with the expanded business operation of the Group.
- The increase in other operating expense in 1H2006 was mainly attributed to the business development activities outside China.

Notes to Income Statement

	Group			Group		
	3 months ended 30 June	3 months ended 30 June	Change	6 months ended 30 June	6 months ended 30 June	Change
	(Unaudited) 2006	(Unaudited) 2005	+ / (-) %	(Unaudited) 2006	(Unaudited) 2005	+ / (-) %
	RMB'000	RMB'000		RMB'000	RMB'000	
Interest income	73	79	(8)	135	206	(34)
Finance costs	3	1	200	8	3	167
Foreign exchange	(28)	22	n.m.	(43)	-	(100)

loss/(gain)						
Depreciation of property, plant and equipment	166	123	35	325	218	49
Amortization of intangible assets	1,644	2,350	(30)	3,285	4,342	(24)
Reversal of allowance for doubtful trade receivables	-	-	-	-	(4)	(100)
Loss on disposal of property, plant and equipment	-	14	(100)	-	14	(100)

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	
		30 June 2006	31 December 2005	30 June 2006	31 December 2005
Non-current assets	Note	(Unaudited) RMB'000	(Audited) RMB'000	(Unaudited) RMB'000	(Audited) RMB'000
Property, plant and equipment		2,000	1,875	179	207
Intangible assets		22,392	25,381	-	-
Subsidiaries	1		-	199,449	174,285
		24,392	27,256	199,628	174,492
Current assets					
Inventories		2,047	1,840	1,617	1,617
Trade and other receivables	2	80,247	63,847	3,148	618
Cash and cash equivalents		132,086	124,290	4,245	7,992
		214,380	189,977	9,010	10,227
Total assets		238,772	217,233	208,638	184,719
Equity attributable to equity holders of the parent					
Share capital	3	109,330	47,425	109,330	47,425
Reserves		109,906	150,491	16,821	63,478
		219,236	197,916	126,151	110,903
Minority interests		7,520	6,528	-	-
Total equity		226,756	204,444	126,151	110,903

Non-current liability					
Deferred tax liability		460	460	-	-
Current liabilities					
Trade and other payables		11,556	12,329	1,852	2,985
Amount due to subsidiary		-	-	80,635	70,831
Total liabilities		12,016	12,789	82,487	73,816
Total equity and liabilities		238,772	217,233	208,638	184,719

Notes :

1. Amounts due from subsidiaries totaling RMB 40.2 million were transferred to interest in subsidiaries as at 30 June 2006 as these receivables were determined to form part of the Company's net investment in subsidiaries.
2. The increase in the Group's trade and other receivables as at 30 June 2006 was in line with the increase in revenue in the first half year of 2006.
3. Please refer to 1(d) (ii).

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

Amount repayable in one year or less, or on demand

As at 30/06/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Nil	Nil	Nil	Nil

Amount repayable after one year

As at 30/06/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) 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		Group	
		3 months ended 30 June 2006	3 months ended 30 June 2005	6 months ended 30 June 2006	6 months ended 30 June 2005
	Note	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Operating activities					
Profit from ordinary activities before taxation		12,695	7,403	21,773	15,267
Adjustments for :					
Depreciation and amortization		1,810	2,473	3,610	4,560
Loss on disposal of property, plant and equipment		-	14	-	14
Reversal of allowance for doubtful trade receivables		-	-	-	(4)
Finance costs		3	1	8	3
Interest income		(73)	(79)	(135)	(206)
Operating profit before working capital changes		14,435	9,812	25,256	19,634
Changes in working capital:					
Inventories		(23)	(208)	130	(837)
Trade and other receivables		(15,957)	(7,638)	(15,060)	(20,328)
Trade and other payables		2,163	2,344	(2,192)	1,306
Cash generated from/(used in) operations		618	4,310	8,134	(225)
Interest received		73	79	135	206
Interest paid		(3)	(1)	(8)	(3)
Cash flows from operating activities		688	4,388	8,261	(22)

Investing activities					
Purchase of property, plant and equipment		(96)	(155)	(450)	(793)
Purchase of intangible assets		(296)	-	(296)	-
Proceeds from disposal of property, plant and equipment		-	37	-	37
Net cash outflow on acquisition of subsidiary		-	(24,122)	281	(24,122)
Cash flows from investing activities		(392)	(24,240)	(465)	(24,878)
Financing activities					
Balances with directors		-	34	-	2
Cash flow from financing activities		-	34	-	2
Net (decrease)/increase in cash and cash equivalents		296	(19,818)	7,796	(24,898)
Cash and cash equivalents at beginning of the period		131,790	126,605	124,290	131,685
Cash and cash equivalents at end of the period		132,086	106,787	132,086	106,787

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 immediate preceding financial year.

Statement of Changes in Equity

The Group	Share capital	Share premium	Merger reserve	Statutory reserves	Foreign exchange reserve	Accumulated profits/(loss)	Total attributable to equity holders of the parents	Minority interest	Total equity
	RMB'000	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	(76)	35,772	155,869	-	155,869
Profit for the period	-	-	-	-	-	7,864	7,864	-	7,864
At 31 March 2005	47,425	61,905	5,055	5,788	(76)	43,636	163,733	-	163,733
Acquisition of subsidiary	-	-	-	-	-	-	-	4,455	4,455
Profit for the period	-	-	-	-	21	7,547	7,568	1,570	9,138
At 30 June 2005	47,425	61,905	5,055	5,788	(55)	51,183	171,301	6,025	177,326
At 1 January 2006	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)
At 31 March 2006	109,330	-	5,055	5,788	(75)	86,662	206,760	7,280	214,040
Exchange differences arising from translation of an overseas subsidiary	-	-	-	-	21	-	21	-	21
Profit for the period	-	-	-	-	-	12,455	12,455	240	12,695
At 30 June 2006	109,330	-	5,055	5,788	(54)	99,117	219,236	7,520	226,756

The Company	Share capital	Share premium	Accumulated losses	Total
	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	(7,123)	102,207
Loss for the period	-	-	(2,145)	(2,145)
At 30 June 2005	47,425	61,905	(9,268)	100,062
At 1 January 2006	47,425	61,905	1,573	110,903
Loss for the period	-	-	(2,826)	(2,826)
Transfer of share premium	61,905	(61,905)	-	-
At 31 March 2006	109,330	-	(1,253)	108,077
Profit for the period	-	-	18,074	18,074
At 30 June 2006	109,330	-	16,821	126,151

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 (RMB 47,425,000) 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.

As a result of the Amendments, the issued and paid-up capital of the company as at 30 June 2006 was S\$22,637,000 (RMB 109,330,000) 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.

	3 months ended 30 June 2006	3 months ended 30 June 2005	6 months ended 30 June 2006	6 months ended 30 June 2005
Earnings per ordinary share for the period based on net profit attributable to shareholders:				
Basic and fully diluted (RMB cents) (Note 1)	5.09	*3.09	8.74	*6.30
Note 1:				
Basic and fully diluted earnings per share were based on:				
Net profit for the period (RMB'000)	12,455	*7,547	21,381	*15,411
	No. of shares	No. of shares	No. of shares	No. of shares
Shares outstanding at beginning of the period	244,535,400	244,535,400	244,535,400	244,535,400
Weighted average number of new shares issued during the period	-	-	-	-
Weighted average number of shares issued during the period (basic and fully diluted)	244,535,400	244,535,400	244,535,400	244,535,400

* In the 2Q2005 results announced on 12 August 2005, the Group recognized revenue of RMB5.7 million from the consolidation of Shaanxi Long Top's results as part of the Group's financial results. This item has been reclassified during the full year result announcement released on 27 February 2006 as pre-acquisition sales which accrued to the previous shareholders.

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	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Net asset value per ordinary shares (RMB cents)	92.73	83.60	51.59	45.35
Net asset value (RMB'000)	226,756	204,444	126,151	110,903
Issued and fully paid ordinary shares	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

Group revenue for the second quarter of 2006 increased 66.4% to RMB 22.3 million against the previous corresponding period. Contributions from oilfield services accounted for about 85% of total group revenue. The group currently has six logging teams in the Ta Zhi Oil Field, Xinjiang compared with only two teams in December 2005.

Software and software-related services accounted for RMB 3.4 million of group sales, a decline of about 40% from the same period last year. This was partly due to a strategic shift in business focus from sales of standard software products to the provision of oilfield services with recurrent income stream. Software sales in 2Q2005 were also bolstered by two major software upgrades which did not occur in 2Q2006.

Research and development (R&D) costs rose 60.2% to RMB 1.4 million attributable primarily R&D projects carried out by to new subsidiaries. Selling and distribution costs increased 248.5% to RMB 1.1 million as a result of higher expenditure for service business viz-a-viz standard software sales. Administrative expenses were relatively unchanged at RMB 3.6 million.

Net profit attributable to equity holders of the Company rose 65.0% to RMB12.5 million. This translates into an EPS of 5.09 RMB cents (2Q 2005 : 3.09 RMB cents).

Financial Position and Liquidity

The total assets of the group stood at RMB 238.8 million as at 30 June 2006, representing a 9.9% increase from 31 December 2005. Of this, RMB 132.1 million was cash and cash equivalents, an increase of RMB 8 million from December 2005. Trade and other receivables stood at RMB 80.2 million (31 December 2005: RMB63.8 million). The increase in receivables is in line with the increase in sales revenue. The Group has no borrowings.

Net asset value per share as at 30 June 2006 was 92.7 RMB cents. Of this, 54.0 RMB cents was in cash & cash equivalents.

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 2Q2006 is in line with the view expressed by the Directors in the 1Q2006 results announcement on 15 May 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 outlook for the Group within China and overseas, remains promising fueled by the buoyant oil and gas industry.

Software solutions is the technology platform on which China Petrotech leverages to grow its business in sales of software products, oilfield services and other related businesses. The Group will continue to invest in research and development of software solutions for oil and gas exploration to maintain its leadership position in China. In this respect, China Petrotech is in the process of registering a new major software product for production testing. This software product is expected to be launched before the end of this financial year.

The group has expanded into oilfield services utilizing its proprietary software. It has six logging teams in the Ta Zhi Oil Field in Xinjiang Province engaged in logging and core sample scanning. It is also providing service to digitize old drawings at the Yanchang Oil Field in Shaanxi Province. The group expects to increase the number of teams and the depth of services provided in these two oil fields.

As announced on 26th July 2006, the Group acquired a 48% stake in China Zhen Rong Cambodia Energy Co., Ltd (“CZRCE”) in Cambodia for US\$5.76 million. CZRCE is the owner and sole operator of Cambodia Offshore Block D Production Sharing Contract (“Block D”). It has the sole exploration rights for 7 years and production rights for 30 years. CZRCE plans to undertake a 200 sq. km. 3D seismic acquisition program in the next few months before

deciding on the follow-up exploration well drilling program. This seismic program is expected to take up to one year to complete.

Management remains confident of the prospects of the Group for 2H2006.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Yes. The Board declared an interim tax exempt (one-tier) dividend of one Singapore cent per share.

(b) Corresponding Period of the immediately preceding financial year.

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

To be announced later.

(d) Book Closure Date

To be announced later.

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

Not Applicable.

By Order of the Board

**William Chan Shut Li
Chairman of the Board
14 August 2006**