

China Petrotech Holdings Limited
(Company Registration No. 200305397E)

Third Quarter Financial Statement for the Period ended 30 September, 2005

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 September	3 months ended 30 September		9 months ended 30 September	9 months ended 30 September	
		2005	2004	+ / (-)	2005	2004	+ / (-)
		(Unaudited) Rmb'000	(Unaudited) Rmb'000	Change (%)	(Unaudited) Rmb'000	(Unaudited) Rmb'000	Change (%)
REVENUE		32,737	18,695	75	63,309	39,799	59
Cost of sales		(9,161)	(1,903)	381	(13,350)	(4,523)	195
GROSS PROFIT		23,576	16,792	40	49,959	35,276	42
Other income	1	2,646	2,475	7	5,495	4,893	12
Research and development costs	2	(1,228)	(611)	101	(2,954)	(2,078)	42
Selling and distribution costs	3	(518)	(286)	81	(1,100)	(2,080)	(47)
Administrative expenses	4	(2,445)	(3,997)	(39)	(8,581)	(6,098)	41
Other operating expenses	5	(1,253)	(81)	1,447	(1,263)	(1,871)	(32)
Net finance income (cost)		642	10	6,320	845	(70)	n.m.
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION		21,420	14,302	50	42,401	27,972	52
Income tax		-	-	-	-	-	-
PROFIT FOR THE PERIOD		21,420	14,302	50	42,401	27,972	52
ATTRIBUTABLE TO:							
Equity holders of the parent		20,882	14,302	46	40,293	27,972	44
Minority interest		538	-	n.m.	2,108	-	n.m.
PROFIT FOR THE PERIOD		21,420	14,302	50	42,401	27,972	52

n.m. = not meaningful

Explanatory notes:

1. Other income comprises:

	3 months ended 30 September 2005	3 months ended 30 September 2004	9 months ended 30 September 2005	9 months ended 30 September 2004
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Reversal of allowance for doubtful receivables	-	-	-	287
V A T refund *	2,641	2,400	5,490	4,513
Government loan waived	-	75	-	75
Others	5	-	5	18
	2,646	2,475	5,495	4,893

* 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.

2. The increases in R&D costs in 3Q 2005 and first 9 months of 2005 are mainly due to more development expenditure incurred during the period.

3. The increase in selling and distribution costs in 3Q 2005 is in line with the increase in revenue. The reduction of same expense items in first 9 months of 2005 is mainly due to the absence of large scale promotion seminars which were held in first half of 2004.

4. The decline in administrative expenses in 3Q 2005 is mainly due to reduction in expenses relating to staff training, traveling and entertainment. The increase in administrative expenses in first 9 months of 2005 is mainly attributable to the increases in directors' remuneration, staff costs, rental expenses and other expenses as a public listed company.

5. Included in other operating expenses are RMB 0.34 million for foreign exchange loss from translation between RMB and HK\$ during the period and RMB 0.91 million incurred for exploring business opportunities in overseas consultancy and investment projects.

Notes to Income Statement

		Group			Group		
		3 months ended 30 September	3 months ended 30 September	Change	9 months ended 30 September	9 months ended 30 September	Change
		2005	2004	+ / (-) %	2005	2004	+ / (-) %
		Rmb'000	Rmb'000	-	Rmb'000	Rmb'000	-
Other income		(2,646)	(2,475)	7	(5,495)	(4,893)	12
Interest income		(642)	(10)	6,320	(848)	(23)	3,587
Finance costs		-	-	-	3	93	(97)
Depreciation of property, plant and equipment		144	81	78	362	215	68
Amortization of intangible assets	6	2,763	741	273	7,105	1,899	274
Foreign exchange (gain)/ loss		339	11	2,982	339	(23)	n.m.
Loss on disposal of property, plant and equipment		-	-	-	14	-	n.m.
Reversal of allowance for doubtful debts		-	-	-	(4)	(287)	(99)

6. The increase in amortization expenses is in line with the increase in tangible assets relating to software products.

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.

	Note	Group		Company	
		30 September 2005	31 December 2004	30 September 2005	31 December 2004
		Rmb'000	Rmb'000	Rmb'000	Rmb'000
Non-Current Assets					
Property, plant and equipment		1,867	1,266	221	238
Intangible assets	7	33,796	17,832	-	-
Subsidiaries	8	-	-	105,033	38,059
		35,663	19,098	105,254	38,297
Current Assets					
Inventories		227	24	-	-
Trade and other receivables	9	74,901	12,455	575	213
Amounts due from subsidiary	8	-	-	-	62,683
Cash and cash equivalents	10	102,901	131,685	21,054	5,515
		178,029	144,164	21,629	68,411

Total assets		213,692	163,262	126,883	106,708
Equity attributable to equity holders of the parent					
Share capital		47,425	47,425	47,425	47,425
Reserves		148,785	108,444	77,180	56,185
		196,210	155,869	124,605	103,610
Minority interests	7	6,563	-	-	-
Total equity		202,773	155,869	124,605	103,610
Non-current liability					
Deferred tax liability		460	-	-	-
Current Liabilities					
Trade and other payables	11	10,460	7,393	2,278	3,098
Total liabilities		10,920	7,393	2,278	3,098
Total equity and liabilities		213,693	163,262	126,883	106,708

Notes :

7. Pursuant to a sale and purchase agreement dated 20 January 2005 and a supplementary agreement dated 20 May 2005, Market Wisdom International Limited acquired 70% equity interest in Shaanxi Long Top for a consideration of RMB 25.9 million. The acquisition resulted in an increase in minority interests and gave rise to goodwill on consolidation of RMB 15.5 million, which was capitalized at the balance sheet date. The identifiable assets acquired comprise mainly intangible assets of RMB 13 million, trade and other receivables of RMB 2.5 million and deferred tax liability of RMB 0.5 million. The net cash outflow from the acquisition of Shaanxi Long Top amounted to RMB 24.1 million, net of cash balances acquired and amounts financed by a director. Three sets of software (including intangibles) with a carrying value of RMB 5.4 million were disposed of to a third party for RMB 8.5 million in August 2005.

8. Amount due from subsidiaries totaling RMB 66.97 million was transferred to interest in subsidiaries as at 30 September 2005 as these receivables were determined to form part of the Company's net investment in subsidiaries (i.e. quasi-equity in nature).

9. The Group's trade receivables increased by RMB 59.3 million and other receivables and prepayment increased by RMB 3.1 million. As in past years, payments from key customers are concentrated in the last few months of the year. The Group had since collected RMB 28.5 million in October 2005. The amount of prepayment is for overseas hardware equipment.

10. The decrease in cash and cash equivalents is mainly due to the payment of the purchase consideration for the acquisition of 70% equity interest of Shaanxi Long Top in June 2005.

11. The Group's trade and other payables increased by RMB 3.1 million. This is mainly attributed to the increase of VAT payable 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 30/9/2005		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 30/9/2005		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.

	Note	Group		Group	
		3 months ended 30 September 2005	3 months ended 30 September 2004	9 months ended 30 September 2005	9 months ended 30 September 2004
		Rmb'000	Rmb'000	Rmb'000	Rmb'000
Operating activities					
Profit from ordinary activities before taxation		21,420	14,302	42,401	27,972
Adjustments for :					
Depreciation of property, plant and equipment		141	81	362	215
Amortization of intangible assets		2,763	741	7,105	1,899
IPO expenses relating to the offer of Vendor shares		-	-	-	1,824
(Reversal of)/allowance for doubtful trade receivables		-	-	(4)	(287)
Loss on disposal of property, plant and equipment		-	-	14	-
Finance costs		-	-	3	93
Government loan waived		-	(75)	-	(75)
Interest income		(642)	(10)	(848)	(23)
Operating profit before changes in working capital		23,682	15,039	49,033	31,618
Changes in working capital					
Inventories		634	(1)	(203)	4
Trade and other receivables		(33,808)	4,900	(59,854)	(259)
Trade and other payables		(423)	(4,808)	890	(1,525)
Amounts due to directors		-	(128)	-	954
Cash generated from/(used in) operations		(9,915)	15,002	(10,134)	30,792
Interest received		642	10	848	23
Interest paid		-	-	(3)	-
Income tax paid		-	-	-	-
Net cash generated from/(used in) operating activities		(9,273)	15,012	(9,289)	30,815
			-	-	-

Investing activities			-	-	-
Purchase of property, plant and equipment		(43)	(312)	(840)	(767)
Acquisition of XCTC's undertakings	1	-	-	-	(12,037)
Sales of intangible assets		5,431	-	5,431	-
Sales of property, plant and equipment		-	-	37	-
Net cash outflow on acquisition of a subsidiary		-	-	(24,122)	-
Intangible assets		-	(15,520)	-	(18,520)
Net cash flows used in investing activities		5,388	(15,832)	(19,494)	(31,324)
Financing activities					
Proceed from convertible loan		-	-	-	-
Repayment of government loans		-	(75)	-	(75)
Proceeds from issue of new shares, net of IPO expenses		-	-	-	69,519
Net cash generated from/(used in) financing activities		-	(75)	-	69,444
Net increase/(decrease) in cash and cash equivalents		(3,885)	(895)	(28,783)	68,935
Cash and cash equivalents at beginning of the period		106,787	107,172	131,685	37,342
Cash and cash equivalents at end of the period		102,902	106,277	102,902	106,277

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	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	Rmb'000
At 1 January 2004	10,083	-	433	-	4,962	-	29,324	44,802	-	44,802
Acquisition of XCTC's undertakings	(10,000)	-	-	32,249	(4,962)	-	(29,324)	(12,037)	-	(12,037)
Conversion of convertible loan	19	10,763	(433)	-	-	-	-	10,349	-	10,349
New shares issued pursuant to the Restructuring Exercise	37,884	(10,763)	-	(27,194)	-	73	-	-	-	-

New Shares issued in connection with the initial public offering	9,439	70,786	-	-	-	-	-	80,225	-	80,225
Share issue expenses	-	(8,881)	-	-	-	-	-	(8,881)	-	(8,881)
Profit for the period	-	-	-	-	-	4	13,670	13,674	-	13,674
At 30 June 2004	47,425	61,905	-	5,055	-	77	13,670	128,132	-	128,132
Profit for the period	-	-	-	-	-	282	14,302	14,584	-	14,584
At 30 September 2004	47,425	61,905	-	5,055	-	359	27,972	142,716	-	142,716
At 1 January 2005	47,425	61,905	-	5,055	5,788	(76)	35,772	155,869	-	155,869
Acquisition of subsidiary	-	-	-	-	-	-	-	-	4,455	4,455
Profit for the period	-	-	-	-	-	21	19,411	19,432	1,570	21,002
At 30 June 2005	47,425	61,905	-	5,055	5,788	(55)	55,183	175,301	6,025	181,326
Profit for the period	-	-	-	-	-	27	20,882	20,909	538	21,447
At 30 September 2005	47,425	61,905	-	5,055	5,788	(28)	76,065	196,210	6,563	202,773

The Company	Share capital	Share premium	Foreign exchange reserve	Accumulated losses	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
At 1 January 2004	-	-	-	-	-
Loss for the period	-	-	-	-	-
New shares issued pursuant to the Restructuring Exercise	37,986	-	-	-	37,986
New shares issued in connection with the initial public offering	9,439	70,786	-	-	80,225
Share issue expenses	-	(8,881)	-	-	(8,881)
Loss for the period	-	-	163	(2,426)	(2,263)
At 30 June 2004	47,425	61,905	163	(2,426)	107,067
Loss for the period	-	-	1,286	(1,488)	(202)
At 30 September 2004	47,425	61,905	1,449	(3,914)	106,865
At 1 January 2005	47,425	61,905	-	(5,720)	103,610
Loss for the period	-	-	-	(3,548)	(3,548)
At 30 June 2005	47,425	61,905	-	(9,268)	100,062
Loss for the period	-	-	-	24,543	24,543
At 30 September 2005	47,425	61,905	-	15,275	124,605

Note 1: Upon completion of the Restructuring Exercise on 27 April 2004, the Company issued 195,535,400 ordinary shares at par of S\$0.04 each in exchange for the entire share capital of Market Wisdom and its subsidiary.

Note 2: The Company issued 49,000,000 new ordinary shares of S\$0.04 each pursuant to the public invitation at an issue price of S\$0.34 on 9 June 2004.

Note 3: 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. Accordingly, the Company remained dormant in first quarter of 2004 and no significant financial information could be presented for the statement of changes in equity for 1Q 2004. Hence, the Company only presented the financial information for the nine months ended 30 September 2004.

Basis of Preparation of Financial Information

The consolidated financial statements of the Group for the three months and nine months ended 30 September 2004 were prepared in a manner similar to the “pooling of interests” method as if the Restructuring Exercise and the transfer of all the assets, liabilities and undertakings (the “Transfer”) of Xi’an Cenozoic Technology Co., Ltd (“XCTC”) had been completed on 1 January 2004. Such manner of presentation reflects the economic substance of the combined companies [namely XCTC, Xi’an Cenozoic Petro Tech Co., Ltd (“XCPT”), Market Wisdom International Limited (“Market Wisdom”) and the Company], which were under common control throughout the nine months ended 30 September 2004, as a single economic enterprise, although the legal parent-subsidary relationships were not established until 27 April 2004.

The consolidated financial statements for the three months and nine months ended 30 September 2004 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 respectively constitute common control transactions, the consolidated financial statements of the Group for the financial year ended 31 December 2004 have been prepared in a manner similar to the “pooling of interests” 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 have been 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.

The Group adopted the new Financial Reporting Standards (“FRSs”) and various revisions to existing FRSs that are applicable for financial periods beginning on or after 1 January 2005. These are currently assessed to have no significant impact on the financial position and results of the Group for the current and prior periods.

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 September 2005	3 months ended 30 September 2004	9 months ended 30 September 2005	9 months ended 30 September 2004
Earnings /(loss) per ordinary share for the period based on net profit attributable to shareholders:				
Basic (Rmb cents) (Note 1)	8.54	5.85	16.48	12.95
Fully diluted (Rmb cents) (Note 1)	8.54	5.85	16.48	12.95
Note 1:				
Basic and fully diluted earnings per share were based on:				
Net profit / (loss) for the period (Rmb'000)	20,882	14,302	40,293	27,972
	No. of shares	No. of shares	No. of shares	No. of shares
Shares outstanding at beginning of the period (Note 2)	244,535,400	244,535,400	244,535,400	195,535,400
Weighted average number of new shares issued during the period pursuant to the public invitation	-	-	-	20,386,861
Weighted average number of shares issued during the period (Basic and diluted)	244,535,400	244,535,400	244,535,400	215,922,261

Note 2. For illustrative purposes, it was assumed that the Restructuring Exercise had been completed on 1 January 2004 and the pre-invitation share capital of 195,535,400 shares had already been in issue on 1 January 2004. The effect of the sub-division of shares had been applied retrospectively.

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 September 2005	31 December 2004	30 September 2005	31 December 2004
Net asset value (Rmb'000)	196,210	155,869	124,605	103,610
Issued and fully paid ordinary shares (actual) (Note 1)	244,535,400	244,535,400	244,535,400	244,535,400
(on combined basis)	Nil	nil	nil	nil
Net asset value per ordinary shares (Rmb cents)				
(actual) (Note 1)	80.24	63.74	50.96	42.37
(on combined basis)	nil	nil	nil	nil

Note 1: Net asset value as at 30 September 2005 and 31 December 2004 were computed based on the summation of total assets and total liabilities.

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.

Review of the Group Performance

Group net profit attributable to shareholders in 3Q2005 rose 46% to RMB 20.9 million on the back of a 75% increase in group revenue to RMB 32.7 million. The key drivers for revenue and earnings growth were sales of new software products, including ERP-related software from Shaanxi Long Top, and software upgrades.

Included in the revenue is the sale of 3 software products with a carrying value of RMB 5.4 million for RMB 8.5 million, yielding a profit of RMB 3.1 million. This one-off sales explains the apparent reduction in gross profit margin. Excluding this item, the gross margin for 3Q2005 was 85.6%.

Cost-wise, R & D costs in 3Q2005 doubled to RMB 1.2 million. During the period, the Group successfully completed and registered 4 new standard software products. Two of these software products are for the management and application of mud-logging data and information and the other two are for use in well perforation. The 39% fall in administrative expenses to RMB 2.4 million is mainly attributable to lower expenses for staff training, traveling and entertainment.

The higher selling & distribution expenses are in line with higher sales generated for the period. The sharp increase in other operating expenses is mainly attributed to a foreign exchange translation loss and project expenses incurred for exploring new business opportunities in overseas consultancy and direct investment in oil and gas projects.

Financial Position and Liquidity

The Group's financial health remains very good with no borrowings and a cash holding of RMB 102.9 million or 42.1 RMB cents per share. As at 30 September 2005, net asset backing per ordinary share was 80.24 RMB cents.

As at 30 September 2005, trade and other receivables have risen further to RMB 74.9 million. However, the management does not expect any major collection problems. As in past years, payments by key customers are concentrated in the last few months of the year. The Group had since collected RMB 28.5 million in October.

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

The Group financial performance in 3Q 2005 was in line with the view expressed by the Directors in the half year announcement on 12 August 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 management is confident that the Group will remain profitable in fourth quarter 2005.

Demand for its core products and services remains strong in China. To meet this rising demand and greater need for more sophisticated software, the Group has completed the development of six more standard software products for use in well drilling, which are currently being registered with the relevant authorities. This is in addition to the four standard software products developed and registered in third quarter 2005.

The Group recently started the provision of on-site technical services for 2 oil fields. The scope of services includes digitization of old well drawings, scanning of old well core samples and other onsite logging and data collection services. This is a new business activity and we expect it to contribute positively to the future growth of the Group.

The integration of the operations, products and services of Shaanxi Long Top into the Group is progressing well. With further integration, the Group will be able to provide better service and benefit from economies of scale.

The Group is also exploring opportunities for direct investments in marginal oil and gas fields in Indonesia. However, the Directors are very mindful of the various risks involved and will continue to exercise caution in assessing these investments. It is the policy of the Group to undertake risks which are manageable in terms of the Group's financial and other resources and technical capabilities.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Yes. The Board declared a special 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? None

(c) Date payable

9 December 2005.

(d) Book Closure Date

25 November 2005.

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
10 November 2005