



## CHINA PETROTECH HOLDINGS LIMITED

Press Release

### CHINA PETROTECH RECORDS 35% RISE IN REVENUE TO RMB 89.9 MILLION IN FY2006

- Strategic shift to oilfield services pays off with strong revenue growth
- Earnings affected by non-cash items
- Expanded scope of business into integrated oilfield services to drive future growth

	FY2006	FY2005	Change
Revenue (RMB mn)	89.9	66.5	+ 35%
Gross Profit (RMB mn)	70.8	56.1	+ 26%
Net Profit (RMB mn)	26.2	53.6	- 51%
EPS (RMB cts)	10.7	21.9	- 51%

*Singapore, 27 February 2007* – China Petrotech Holdings Ltd (“CPHL”) grew group revenue by 35% to RMB89.9 million, as its strategic shift to oilfield services begun to bear fruit. Revenue from oilfield services soared to RMB64.5 million in FY2006 from just RMB2.9 million in FY2005.

The Group derived oilfield services revenue from its current seven teams in the Ta Zhi Oil Field, Xinjiang and, two in Yanchang Oil Fields. This more than compensated for the decline in revenue from the sale of software and software-related products from RMB59.8 million in FY2005 to RMB24.8 million as there were no major series of logging or exploration software launched and a lack of major software upgrades in FY2006. Notwithstanding this, the Group secured RMB7 million of new contracts to provide software services in the year.

Revenue (RMB ‘000)	2006	2005	change
Oilfield Services	64,501	2,925	n.m.
Software & related services	24,784	59,771	-59%
Others	663	3,843	-83%
<b>Total</b>	<b>89,948</b>	<b>66,539</b>	<b>+35%</b>

Gross profit in FY2006 rose 26% to RMB70.8 million due to the contributions from oilfield services. However, gross margin fell slightly to 79% in FY2006 as margin is typically lower for oilfield services business than that for software business. The Group

posted other income of RMB1.9 million in FY2006 compared to RMB14.7 million in FY2005. This decrease was due mainly to one-off disposal of four sets of software FY2005 which did not occur in FY2006 and lower refund of VAT in FY2006.

Cost-wise, research and development costs fell 35% to RMB2.8 million in FY2006 due to less R & D activities. Group selling and distribution costs rose 22% to RMB2.0 million, in line with increase in sales. Administrative expense rose 45% to RMB16.9 million in FY2006 due to the expanded scope of business as the Group increased its business development activities in China and other Asian countries. In China, the Group secured its first larger-scale, integrated oilfield services contract for a 4.5 sq km area of an existing producing oilfield in Shaanbei in February 2007.

As part of the ongoing management review of its operations, the Group decided to recognize impairment losses in goodwill and intangible assets of RMB12.3 million for Shaanxi Long Top (“SLT”). It also decided to take a prudent approach and made allowance for doubtful debts of RMB16.8 million. These are non-cash items. Despite this, SLT, which provides oil and gas ERP software solutions, is still a viable business. Management has decided to re-engineer the operations of SLT to streamline its business model to that of Xian Cenozoic’s by focusing on smaller and more manageable projects with better payment terms.

Group profit before taxation fell 61% to RMB20.8 million in FY2006 and net profit attributable to shareholders fell 51% to RMB26.2 million. FY2006 EPS was 10.7 RMB cents.

Said Ms Zhao Ying, CEO of CPHL, “As mentioned previously, the Group made a strategic shift in focus from sales of exploration software products to the provision of oilfield services in late 2005. The success of this strategy is clearly reflected in the substantial increase in oilfield service revenue which has more than compensated for the decline in software sales.”

“While the Group’s bottomline in 2006 was affected by the write-offs in Shaanxi Long Top, our business is growing as illustrated by the increase in revenue and we continue to see great opportunities in oilfield services in China. Besides our existing nine oilfield service teams in Ta Zhi and Yanchang, we have also started expanding into larger scale, integrated oilfield services contract in marginal fields in Shaanbei.” said Ms Zhao Ying, CEO of CPHL.

Looking ahead, Mr William Chan, Group chairman said, “While 2006 has been very challenging for the Group, we are optimistic of our business prospects in 2007.”

In Cambodia, the 3-D seismic data acquisition program for the Offshore Block D PSC which the Group acquired in July 2006 has been completed and analysis of the results is currently being undertaken. The results for the surveyed 360 sq km area of the 5,506.9 sq km block are expected to be known by April 2007. This will be followed by exploration planning and exploration well drilling program.

CPHL is also actively pursuing advanced methods and technologies by forging alliance with partners such as the EOR Research Centre of PetroChina and Canada-based Liburdi Investment Limited to provide the latest technologies and processes to its clients.

CPHL will continue to invest in R & D to augment its current portfolio of software products. The Group has completed the development of three new software products involving logging workflow management, complex situation monitoring and diagnosis and 3D borehole visualization and expect them to be launched this year.

### **About China Petrotech Holdings Limited**

China Petrotech Holdings Limited is a technology-based oilfield services company. The Group also has direct investment in an offshore oil and gas project in Cambodia. Formed in 2001 by a group of geologists and research engineers well versed with the technological challenges of the China oil and gas industry, its management and staff are mainly from the oil fields with strong industry knowledge in oil and gas exploration, development and production processes. As an integral part of the Group's business, China Petrotech software solutions provide its customers with the technological standards and platform to organize and optimize their exploration and development activities in the oil and gas industry.

*For further information and enquiries on China Petrotech, please contact:*

Maggie Low ( <a href="mailto:maggielow@china-petrotech.com">maggielow@china-petrotech.com</a> ) China Petrotech Holdings Limited Tel: (65) 8168 6339 <a href="http://www.china-petrotech.com">http://www.china-petrotech.com</a>	Edwin Tay ( <a href="mailto:edwin@ferrington.com.sg">edwin@ferrington.com.sg</a> ) Ferrington Consultants Pte Ltd Tel: (65) 6536 5831 / (65) 6536 5863 <a href="http://www.ferrington.com.sg">http://www.ferrington.com.sg</a>
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