
HISTORY AND ACTIVE BUSINESS PURSUITS

HISTORY AND DEVELOPMENT

The Company's business was founded more than 13 years ago when Tianda Enterprise (then operating as Oriental Industry Company) acquired Tongcheng Steel Pipe Factory from the Tongcheng Government in 1993. Since that time, the Company has undergone reorganisation and was established on 13 April 2006 as a joint stock limited company. At the time of its establishment as a joint stock limited company, the total number of shares in issue were 170,000,000 shares of RMB1.00 each and its total paid up share capital was RMB170,000,000. On 7 September 2006, the 170,000,000 shares of RMB1.00 each were sub-divided and became 340,000,000 Shares. Set out below is a historical overview of the Company's development.

Operational history

From 1993 to 1997, the Company engaged mainly in the production, sourcing and distribution of petrochemical and other specialized seamless pipes, including vessel pipes and boiler pipes. Back in 1994, the Company established four production plants in Tianchang, Anhui Province, which occupied factory premises of approximately 7,400 sq.m. A significant number of the Company's customers were petrochemical companies, ship builders and boiler manufacturers. During that period, the Company's annual production capacity increased from approximately 5,000 tonnes per year to 10,000 tonnes per year with the establishment of a new production line for specialized seamless pipes. The Company also researched and developed the production of alloy seamless pipes and improved its production methods for pressure boiler specialized seamless pipes and vessel pipes.

From 1998 to 2002, the Company focused on the production, sourcing and distribution of high value-added processing and technologically advanced specialized seamless pipes for, among others, petrochemical pipes as well as vessel pipes and boiler pipes. These pipes were mainly alloy seamless pipes. During this period, the Company focused on the preliminary planning for the establishment of oil well pipes production lines. Products during this period were mainly sold to large national petrochemical, boiler and vessel construction enterprises. The Company researched and developed anti-corrosive alloy seamless pipes and increased its annual production capacity to 20,000 tonnes per year via increase in production efficiencies and upgrades of its then existing production equipment.

Between 2003 and the Latest Practicable Date, the Company successfully established its production plant in Chuzhou, thereby taking advantage of Chuzhou's natural gas resources and ease of access to the nearby railway and road network and hence improving overall cost efficiencies. The Company installed an ASSEL three rolled pipe machine in Chuzhou and another production line with cold-drawn technology in Tianchang for the production of oil well pipes. Both locations are within Chuzhou city, being approximately 125km apart. The annual production capacity of the Company increased from 25,000 tonnes in 2004 to 300,000 tonnes in 2006. As at 30 June 2006, the Company's warehouse in Chuzhou of approximately 31,522 sq.m. was also developed into a distribution and logistics centre. Apart from these achievements, the Company is also finalizing its research and development efforts on heat treatment as well as threading of finished pipes. The specialized seamless pipes produced during this period were mainly for the oil and natural gas industry.

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More details of the Company's activities for the two years ended 31 December 2005 and the six months ended 30 June 2006 are set out below under the paragraph headed "Active Business Pursuits".

Corporate Reorganisation of the Company

Prior to the reorganization of Tianda Enterprise into Tianda Holding in 2004, Mr. Ye had been the legal representative of Tianda Enterprise since January 1995. As its legal representative, Mr. Ye was empowered to govern Tianda Enterprise's financial and operational policies. The Company has either been under the control of Tianda Enterprise before its reorganization or under Tianda Holding after its reorganization. The legal representative of Tianda Enterprise has the power to govern the financial and operational policies of Tianda Enterprise. Without the consent of the legal representative (i.e. Mr. Ye), no decision in relation to governing the financial and operational policies of Tianda Enterprise can be implemented. The senior management of Tianda Enterprise had to and did follow Mr. Ye's decision in relation to governing the financial and operating policies of Tianda Enterprise.

The Company's business was founded when Tianda Enterprise acquired Tongcheng Steel Pipe Factory, which was ultimately controlled by the Tongcheng Government in China, for RMB1,500,000 in February 1993. The price for the acquisition was based on the value of the assets then acquired and the vendor was the Tongcheng Government. The acquisition was financed by Tianchang Intertexture, the core operating entity of Tianda Enterprise. Upon completion of the acquisition, Tianda Enterprise established Oriental Industry Metal Company (which was not a separate legal entity) with the assets of Tongcheng Steel Pipe Factory on 9 March 1993. In 1995, the Oriental Industry Metal Company was renamed Tianda Seamless Steel Pipe Factory. In June 1999, Tianda Seamless Steel Pipe Factory was incorporated as a separate legal entity and named "Tianda Tianchang Seamless Steel Pipe Factory". On 12 October 2002, at the time when Tianda Enterprise was a collective enterprise, Mr. Ye Shi-qu was appointed by its staff representative union to lead the board of directors of Tianda Enterprise on administration and business decisions. As at 31 December 2003, the net assets of Tianda Tianchang Seamless Steel Pipe Factory was approximately RMB53,300,000.

In April 2004, the relevant PRC governmental authorities approved the reorganisation proposal of Tianda Holding. As part of this reorganisation, Tianda Holding gained control of the operating assets of Tianda Tianchang Seamless Steel Pipe Factory from Tianda Enterprise on 15 June 2004, being the date of the relevant reorganisation was effected.

On 23 June 2004, Tianda Holding, the controlling shareholder of the Company, together with Tianda Trade Union established Tianda Special Steel Pipe Company as a limited liability company with a registered capital of RMB40,000,000. Effective on the same date, the business currently operated by the Company was injected into Tianda Special Steel Pipe Company by Tianda Holding. Tianda Holding held 90% of its registered capital and Tianda Trade Union held 10% (contributed by way of cash) both of which were contributed within the legally prescribed time. As mentioned above, the effective date of the relevant reorganization for Tianda Special Steel Pipe Company was 23 June 2004. Subsequently in

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July 2004, another approval was made by the Administration for Industry and Commerce of Tianchang City of Anhui Province when Tianda Tianchange Seamless Steel Pipe Factory completed the procedures of deregistration.

In January 2005, Tianda Holding increased the capital in Tianda Special Steel Pipe Company by RMB100,000,000. After the capital increase, the registered capital of Tianda Special Steel Pipe Company was RMB140,000,000, of which RMB136,000,000 was contributed by Tianda Holding and accounted for 97.1% of the registered capital, whereas RMB4,000,000 was contributed by Tianda Trade Union and accounted for 2.9% of the registered capital. Tianda Trade Union was established on 30 August 1995 as a public society (社會團體法人) whose aim was to protect the rights of employees. All employees of Tianda Enterprise were its members. In November 2005, Tianjin Dajin became an equity holder in Tianda Special Steel Pipe Company by injecting RMB30,000,000. Such injection of money from Tianjin Dajin was used by the Company to finance its new project in the production of oil well pipes. After the capital increase, the registered capital of Tianda Special Steel Pipe Company was RMB170,000,000, of which RMB136,000,000 was contributed by Tianda Holding representing 80.0% of the registered capital, whereas RMB4,000,000 was contributed by Tianda Trade Union, representing 2.3% of the registered capital, and RMB30,000,000 was contributed by Tianjin Dajin, representing 17.7% of the registered capital. Tianjin Dajin is a limited liability company in China engaged in, among others, the manufacture and sale of household appliances. It is owned as to 40% by Liu Jun Chang (chairman of the Company's supervisory committee) and as to 30% each by Liu Peng (a non-executive Director) and Ji Shu-yan (who is the nephew of Mr. Ye Shi Qu). The relevant contributions to registered capital were made within the legally prescribed times.

During the Track Record Period, the Company once held 25% of the equity interests in Tianda Import and Export, a company which mainly engaged in the import and export business in the PRC. Tianda Import and Export is not a joint venture or collaboration of the Company, but an investment by the Company.

Tianda Import and Export suffered from persistent losses during the Track Record Period and the Company shared its losses, on a pro rata basis, and reported the respective losses in the financial statements of the Company. During the two years ended 31 December 2005 and 6 months ended 30 June 2005 (unaudited) and 30 June 2006, Tianda Import and Export made losses in the amounts of RMB64,000, RMB68,000, RMB4,000, and RMB92,000 respectively, of which the Company's share of such losses for the respective periods were RMB16,000, RMB17,000, RMB1,000 and RMB23,000. Further details of the financial effects of the Company's investment in Tianda Import and Export have been set out in note 14 of the Accountant Report in Appendix I of this prospectus.

As the business of Tianda Import and Export was not relevant to the Company's core business, it was sold to Tianda Plastic Company as part of the Company's reorganisation prior to Listing. Pursuant to the equity transfer agreement between Tianda Plastic Company and the Company in March 2006, the Company disposed of its entire equity interest in Tianda Import and Export to Tianda Plastic Company for a consideration of RMB500,000. On 4 April 2006, Tianda Plastic Company settled the consideration in full. The consideration of RMB500,000 had been determined based on 25% of the registered capital of Tianda Import and Export at the time of the sale of the Company's interest.

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On 12 April 2006 and according to an agreement for the transfer of equity interests entered into between Tianjin Dajin and Tianda Investment, 17.7% of equity interests in Tianda Special Steel Pipe Company held by Tianjin Dajin were transferred to Tianda Investment for a consideration of RMB30,000,000. Tianda Investment is a wholly-owned subsidiary of Tianda Holding, established in 2006 for the purpose of investment. On the same date and pursuant to an agreement for the transfer of equity interests entered into between Tianda Trade Union and Tianda Investment, 2.3% of equity interests in Tianda Special Steel Pipe Company held by Tianda Trade Union were transferred to Tianda Investment at a consideration of RMB4,000,000. Following the completion of the above transfers, the registered capital of Tianda Special Steel Pipe Company remained unchanged. The shareholders of the Company became Tianda Holding and Tianda Investment holding 80% and 20% of equity interests respectively. The relevant transfers of equity interests were approved by the Tianchang City Industry and Commerce Administration and the PRC Legal Advisers have confirmed this is the relevant competent approval authority. The abovementioned transfers were negotiated on an arms' length basis and approximate the proportion of registered capital which their equity interests represented. Both divestments by Tianda Trade Union and Tianjin Dajin were prompted by their own commercial considerations.

A shareholders' meeting of Tianda Special Steel Pipe Company was also held on 12 April 2006. It was resolved at the meeting that Tianda Special Steel Pipe Company would be transformed into a joint stock company with limited liability on the basis of audited net assets as at 31 December 2005.

On 13 April 2006, upon the approval by the State Administration for Industry and Commerce of Chuzhou City of Anhui Province, Tianda Special Steel Pipe Company was transformed into a joint stock company with limited liability and was issued a legal business licence in the name of Company, namely Anhui Tianda Oil Pipe Company Limited. At the time of its establishment as a joint stock company, the total number of Shares in issue were 170,000,000 Shares and its total share capital was RMB170,000,000.

On 13 April 2006, Tianda Special Steel Pipe Company (the predecessor of the Company) was transformed into a joint stock company with limited liability (the Company's current legal form) upon the approval by the Administration for Industry and Commerce of Chuzhou City of Anhui Province. On 23 June 2004, the business currently operated by the Company was injected into Tianda Special Steel Pipe Company by Tianda Holding. As a result of the injection of such operations into Tianda Special Steel Pipe Company on 23 June 2004 and the subsequent resolution of the shareholders' meeting of Tianda Special Steel Pipe Company on 12 April 2006 (which approved the restructuring of Tianda Special Steel Pipe Company into the Company's current legal form of a joint stock Company), the Company's business has been operating for more than 24 months preceding the date of the submission of its listing application to GEM. At the same time, the ownership of the Company has been substantially the same for more than 24 months since 23 June 2004 (and also since the date of the submission of the Company's listing application to GEM). Similarly, the business of the Company has also been pursued under substantially the same management since 23 June 2004. Consequently, the Company has satisfied the active business period pursuit requirements under rule 11.12 of the GEM Listing Rules.

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Further background information on Tianda Enterprise, Tianda Holding, Tianda Trade Union and Tianda Dajin

In June 1989, Tianchang Intertexture was established as a collective-owned enterprise. Upon establishment, the registered capital of Tianchang Intertexture was RMB1,774,300 and it was involved in the production of packaging products. Mr. Ye was the head of the factory. On 7 December 1992, Oriental Industry Company was established as a collectively owned enterprise with registered capital of RMB50,000,000 by Tianchang Intertexture and other subsidiary companies. Oriental Industry Company was formed to control the overall management of its subsidiary organizations, formulating the business objectives of its subsidiary organizations and appointing the key managing staff of its subsidiary organisations. Since the establishment of Oriental Industry Company, Tianchang Intertexture has become its subsidiary. Mr. Ye was the legal representative and chairman of Oriental Industry Company. In January 1995, Oriental Industry Company was renamed as Tianda Enterprise, a collectively owned enterprise, with registered capital remaining at RMB50,000,000. Mr. Ye was the chairman.

Tianda Enterprise has been restructured since 2000. On 3 January 2000, through asset valuation and verification and determination of ownership, 10% of the net asset value of Tianda Enterprise was determined as owned by Tongcheng Government as consented by the Tianchang Government, while the rest was owned by Tianda Enterprise's collective owners. Tianda Enterprise and Tongcheng Government entered into an agreement, in which Tianda Enterprise paid an amount equivalent to 10% of its net asset value to Tongcheng Government, and Tongcheng Government then no longer owned any interest in Tianda Enterprise. Tianda Enterprise had settled the aforesaid payment to Tongcheng Government.

In June 2002, Tianchang Government in principle agreed Tianda Enterprise's restructuring proposal. In February 2004, a detailed proposal regarding enterprise restructuring was formed, and was submitted to the People's Government of Tianchang City and Tongcheng Government for approval. The restructuring proposal included employing organizations to carry out asset valuation, and according to those valuation results, Tianda Holding acquired the entire operating assets (including the Company's current business of producing specialized seamless pipes) of Tianda Enterprise. The restructuring proposal was approved by the People's Government of Tianchang City and Tongcheng Government in April 2004. On 15 June 2004, the employee union of Tianda Enterprise approved the aforesaid operating assets acquisition, and granted authority to Tianda Trade Union to sign the relevant documents. On the same day, Tianda Trade Union signed an agreement with Tianda Holding, in which Tianda Holding acquired the entire operating assets of Tianda Enterprise for a consideration of RMB119,273,500. Tianda Holding had settled the entire amount of the above-mentioned operating assets. The restructuring proposal, restructuring process and restructuring result was inspected by the Tongcheng Government, the People's Government of Tianchang City, the People's Government of Chuzhou City and the People's Government of Anhui Province, with the above People's Government having confirmed in writing that the company restructuring of Tianda Holding had complied with the relevant legal regulations. On 27 October 2004, Tianda Enterprise proceeded with its own deregistration.

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Tianda Holding was initially incorporated as a limited liability company on 30 April 2004 by 10 natural persons, namely Mr. Ye who held 64%, and each of Mr. Zhang, Yin Zhi Fu, Qi Wen Hui, Wang Ben Ling, Wu Zhong Qin, Xie Yong Yang, Liu Jun Chang, Jiang Gan and Huang Xiao Bin held 4%. Upon incorporation, the registered capital was RMB50,000,000.

In July 2004, Tianda Trade Union contributed RMB25,000,000 in cash as additional registered capital, thereby increasing the registered capital of Tianda Holding to RMB75,000,000. Following such increase of registered capital, the shareholding of the 10 natural persons changed to as follows: Mr. Ye held 42.7% and each of Mr. Zhang, Yin Zhi Fu, Qi Wen Hui, Wang Ben Ling, Wu Zhong Qin, Xie Yong Yang, Liu Jun Chang, Jiang Gan and Huang Xiao Bin held 2.7%. In the same month, Mr. Ye also contributed an additional RMB25,000,000 in cash as additional registered capital thereby increasing the registered capital of Tianda Holding to RMB100,000,000. Shareholders of Tianda Holding in June 2004 then increased to more than 10 natural persons including Mr. Ye and Mr. Zhang. The shareholding changed so that Mr. Ye held 57% and each of Mr. Zhang, Yin Zhi Fu, Qi Wen Hui, Wang Ben Ling, Wu Zhong Qin, Xie Yong Yang, Liu Jun Chang, Jiang Gan and Huang Xiao Bin who held 2%.

In 2004, the registered capital of Tianda Holding was further increased to RMB129,335,900 in July 2004 and RMB233,725,500 in September 2004 respectively. Tianda Trade Union also transferred its stake in Tianda Holding to Mr. Ye in October 2004. After the increases of registered capital and the stake transfer, the shareholding of the 10 natural persons changed to that Mr. Ye held 77.1%, Mr. Zhang held 4.6%, Yin Zhi Fu held 2.1%, Qi Wen Hui held 2.1%, and each of Wu Zhong Qin, Xie Yong Yang, Liu Jun Chang, Jiang Gan and Huang Xiao Bin held 1.3%. The number of shareholders of Tianda Holding during this period was increased to, after the divestment by Tianda Trade Union, 49 natural persons. As at the Latest Practicable Date, the registered capital of Tianda Holding was RMB233,725,500 and the number of shareholders of Tianda Holding remained 49. At all relevant times, Mr. Ye was either the single largest or majority shareholder of Tianda Holding.

Tianjin Dajin was established in August 2004 and its scope of business includes manufacturing and sale of household appliances and their spare parts and components. Tianjin Dajin has no business relationship with the Company and does not compete with it. Tianjin Dajin's registered capital is RMB1 million and is owned as to 40%, 30% and 30% by Liu Jun-chang, Liu Peng and Ji Shu-yan (who is the nephew of Ye Shi Qu) respectively. Liu Jun-chang is the chairman of the supervisory committee of the Company, and Liu Peng is a non-executive Director of the Company.

The trade union of Tianda Enterprise was established as a public society (社會團體法人) on 30 August 1995. Its legal representative was Huang Yao-bin. The trade union applied for a change of name in July 2006 to Tianda Trade Union with Huang Yao-bin as its legal representative. All employees of Tianda Holding are members of Tianda Trade Union. The Directors (Ye Shi Qu, Zhang Hu Ming, Xie Yong Yang and Zhang Jian Huai) and senior management (Wang Yi, Zhang Chun Xiang, Geng Wei Long, Lv Si Yu, Huang Yao Qi and Chen Dong) of the Company are also members of Tianda Trade Union.

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Tianda Holding's other businesses through its operating subsidiaries other than the Company include, among others, the manufacture and sale of plastic products, optical fibre and household electrical appliances. The Directors have confirmed that Tianda Holding's other businesses are not in competition with the principal business of the Company. As at 31 December 2005, Tianda Holding's consolidated assets and net asset value were approximately RMB1,876 million and RMB948 million, respectively.

ACTIVE BUSINESS PURSUITS

Details of the industry in which the Company operated during the period of active business pursuits of the Company as set out below are set out in the section headed "Industry Overview". The following is a statement of the active business pursuits of the Company which, for presentation purposes, has been set out by reference to the Track Record Period.

For the year ended 31 December 2004

Research and development

During this period, the Company registered a patent for its specialized seamless pipes for use in petrochemical pipes for heat exchanges and its vessel pipes were also granted certification by Bureau Veritas of France. The Company also engaged in the research and development of oil well pipes used in the exploration of petroleum, as well as preparations for technology upgrades and craftsmanship of oil well pipes production equipment. Such efforts in research and development led to quality of products being enhanced and output increased. At the same time, the Company also conducted research and development in the production technologies involved in manufacturing hot-rolled oil well pipes, so as to ensure that production could be optimised in the initial period of commercial production in 2005.

Expansion of production capacity and trading business

In 2004, the Company's production capacity in Tianchang was 25,000 tonnes per annum. This could generally be translated into 5,000 tonnes and 20,000 tonnes of production capacity for (a) oil well pipes and (b) other specialized seamless pipes including petrochemical pipes, respectively. Cold-drawn technique was adopted in Tianchang production plant. The Company was then also involved in planning for a further increase of 150,000 tonnes in production capacity via a hot-rolled oil well pipe production line in Chuzhou scheduled to be put into production by 2005.

The Company maintained its one-stop shop business by sourcing and distributing seamless pipes. The total volume of seamless pipes traded during the year exceeded 30,000 tonnes.

Sales and marketing

The Company had been promoting its corporate profile in industrial publications since 1993. Through evaluation and selection, the Company promoted its presence in approximately 50 national and provincial publications, such as Petro-Chemical Equipment

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(《石油化工設備》), Petrochemical Design (《石油化工設計》), China Petrochemical (《中國石油化工》), Small Nitrogenous Fertiliser Plant (《小氮肥》), Ship & Boat (《船舶》), Chemical Fertiliser Design (《化肥設計》), Chemical Fertiliser Industry (《化肥工業》), Pressure Vessel Technology (《壓力容器》), China Special Equipment Safety (《中國特種設備安全》), and Chemical Engineering & Machinery (《化工機械》). The Company was also improving its business and operational platform from time to time. It is a member of PetroChina No. 1 Energy Network which is an e-commerce website operated by a joint venture involving PetroChina. It is a trading and information platform which targets domestic and overseas oil and natural gas enterprises, facilitating online procurement. As a member of this network the Company is able to have another medium to develop its sales towards purchasers who are interested in the relevant type of products. The Company also established cooperative relationships with industry well-known websites such as Alibaba who provides e-commerce training to the Company. The Company's website was re-designed and enriched with improved contents and information on the Company.

As at 31 December 2004, the Company had 19 sales and marketing personnel. The Company focused on its direct sales strategy via its direct sales team. The Company had about 2,000 customers in 2004 and a significant number of such customers were petrochemical companies, ship building companies and boiler manufacturers. As the Company planned to introduce oil well pipe products in 2005, the Company continued market research into this market segment in 2004. The Company contacted large oil fields' and trading companies which primarily sold oil well products, and arranged for site visits by its operations personnel to evaluate customer needs. The Company also employed more staff and carried out more staff training in light of the new oil well pipe product to be launched.

For the year ended 31 December 2004, sales were RMB333.6 million and profit attributable to the equity holders was RMB74.1 million.

Tianda Holding has assigned the registered trademark (trademark registration number 1974921) to the Company pursuant to a trademark assignment agreement dated 1 July 2004. The registration of the said assignment of the registered trademark in the name of the Company was approved by the PRC's Trademark Office of the State Administration for Industry and Commerce on 14 October 2006. With respect to the possible reputational risk to the Company that might arise if Tianda Holding is engaged in an activity that attracts bad publicity in using the trademark of the Company under other classes, the Initial Management Shareholders have undertaken to indemnify in full any losses suffered by the Company as a result of Tianda Holding's use of the trademark.

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Human resources

	As at 31/12/2004
Research and development	15
Production	247
Quality control	29
Sales and marketing	19
Administration	14
Total	<u>324</u>

As at 1 January 2004, there were a total of 312 staff (including four part time staff). The turnover of personnel during the year was an increase of 12 personnel.

Certification

During the year, the Company received certificates and awards for its products. These included:

1. Production licence for low and medium pressure boiler pipe issued by the State Technology and Quality Inspection Bureau of the PRC;
2. Production licence for high pressure steel pipe issued by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC;
3. Plant certification from the Bureau Veritas of France; and
4. Plant certification from Det Norske Veritas Ship Classification of Norway.

Such certifications make it easier for the Company to qualify under the standards and specifications set by its customers for their products, thereby enabling it to secure orders from customers in those countries.

Funding Arrangements

As at 31 December 2004, the Company had an outstanding bank loan of RMB90,000,000 which was guaranteed by Tianda Holding and bank drafts endorsed by Tianda Holding to the Company amounting to RMB17,652,000.

Corporate Milestones

The Company was established as a limited liability company in June 2004 with a registered capital of RMB40 million. Its shareholders then were Tianda Holding and Tianda Trade Union who held respective equity interests of 90% and 10%. In terms of operating premises, as at 31 December 2004 the Company had a 75,000 sqm. production facility with equipment such as automatic circular heater, conical hole puncher, three rolled pipe machine,

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incremental heater, micro tension diameter, sophisticated one-stop inspection equipment, cold drawing machine, swirl mark rolled pipe machine, bubble mark rolled pipe machine, ultrasonic test machines and large metallurgical microscope.

For the year ended 31 December 2005

Research and development

The Company continued its research and development of production techniques in oil well pipes. In 2005, the Company standardised the production process and completed the technology upgrade of 14 sets of micro tension force reduction machine for the hot-rolled production line in Chuzhou. This led to increased production efficiencies which resulted in the increase in production capacity.

Expansion of production capacity and trading business

Total capacity increased from 25,000 tonnes per annum in 2004 to 200,000 tonnes per annum in 2005. This increase in production capacity was the result of the new hot-rolled oil well pipe production line in Chuzhou which accounted for 150,000 tonnes per annum and technological upgrades of existing production lines accounting for 25,000 tonnes per annum. This production capacity could also generally be translated into 150,000 tonnes and 50,000 tonnes of production capacity for (a) oil well pipes and (b) other specialized seamless pipes including petrochemical pipes, respectively.

The Company's trading business continued to expand and recorded a moderate growth of 20% in volume and exceeded 36,000 tonnes in 2005.

Sales and marketing

On the basis of advertisements placed by the Company in 2004, the Company selected publications to advertise in so as to ensure that the Company's profile was prominent in reputable industrial publications. During the year, the Company promoted its presence in approximately 50 professional industry publications published throughout China as well as in certain provinces and municipalities. The Company continued to improve and optimize its networking resources from time to time. This was achieved through the renewal of its member status at PetrolChina No. 1 Energy Network, as well as establishing closer cooperative relationship with Alibaba.

As at 31 December 2005, the Company had 22 sales and marketing personnel. The Company continued its direct sales strategy and in 2005, focused mainly on the development of the oil well pipe market. The Company employed 3 additional sales personnel and introduced a sales team incentive scheme, linking the individual sales performance with their salaries. In 2005, the Company's client profile gradually changed from large ship building enterprises and petrochemical enterprises in 2004 to large oil fields' and trading companies which supplied of oil well products.

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Prior to 2005, a significant number of the Company's customers were petrochemical companies, ship building companies and boiler manufacturers. After the Company's adjustment of its product offering and target customers in 2005, the Company focused on major oil fields and their designated processing factories as the Company's customers. As a result of such strategic focus, the Company's customers streamlined to approximately 1,400 as at 31 December 2005.

For the year ended 31 December 2005, sales were approximately RMB906.6 million and profit attributable to the equity holders was approximately RMB71.9 million.

Human resources

	As at 31/12/2005
Research and development	18
Production	469
Quality control	61
Sales and marketing	22
Administration	<u>32</u>
Total	<u><u>602</u></u>

As at 1 January 2005, there were a total of 324 staff. The turnover of personnel during the year was an increase of 278 personnel.

Certification

During the year, the Company received the Product Inspection Waiver.

Funding Arrangements

As at 31 December 2005, the Company had an outstanding bank loan of RMB110,000,000 which was guaranteed by Tianda Holding and bank drafts endorsed by Tianda Holding to the Company amounting to RMB80,185,000. During that year, in November, Tianjin Dajin became an equity holder in the Company by injecting RMB30,000,000. Those funds were used for funding of the new production line for oil well pipes.

Corporate Milestones

The Company increased its registered capital to RMB170 million and Tianda Holding, Tianda Trade Union and Tianjin Dajin held respective equity interests of 80%, 2.3% and 17.7%. In terms of operating premises, as at 31 December 2005 the Company had a 80,000 sqm. production facility and implemented additional production machinery including inspection equipment such as swirl hydrostatic pressure test machine, impact pressure test machine, Brinell hardness tester, Rockwell hardness tester, direct reading spectrum device and single pipe still water pressure tester.

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For the period from 1 January 2006 to the Latest Practicable Date

Research and development

The Company was developing and continued to develop oil well pipes that were pressure and damage resistant, anti-corrosion, reinforced hardness, as well as vessel pipes to be accredited by shipping classification society in Japan and Korea.

Expansion of production capacity

Total capacity increased from 200,000 tonnes per annum in 2005 to 300,000 tonnes per annum in 2006. This was attributable to an increase of 50,000 tonnes per annum from the new production line for oil transfer pipes in Tianchang and 50,000 tonnes per annum through technological upgrades of other existing production lines. This production capacity could also generally be translated into 250,000 tonnes and 50,000 tonnes of production capacity for (a) oil well pipes and (b) other specialized seamless pipes including petrochemical pipes, respectively.

Product improvement and development and trading business

In 2006, the Company continued to research and develop new oil well pipe products. Its trading business also maintained steady growth.

Sales and marketing

During this six month period, the Company further integrated its promotional efforts in its publications and sales network, so as to ensure optimization of such resources. The Company promoted its presence in approximately 50 professional industry publications published across several countries as well as in certain provinces and municipalities. In May 2006 and September 2006, the Company participated in the Second Shanghai International Steel Pipes Trade Exhibition held at Shanghai Expo Exhibition Centre and the Second All China-International Tube & Pipe Industry Trade Fair 2006 respectively, through which the Company received more information from the market, promoted the competence and image of the Company to a more prominent extent, and strengthened its communication with the customers, enabling it to better monitor and work towards meeting expectations of its current and potential customers.

As at 30 June 2006, the Company had 29 sales and marketing personnel and as at the Latest Practicable Date, the Company had 29 sales and marketing personnel. In 2006, the Company intends to focus on developing the northeastern and northwestern parts of the China market as well as the international market. As of 30 June 2006, the Company employed 7 additional sales personnel and carried out more staff training sessions for its sales and marketing team. Such training sessions mainly focused on product knowledge in order to improve each of the sales personnel's individual technical knowledge so as to provide an all-rounded service to the Company's customers.

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As stated above, a significant number of the Company's customers were petrochemical companies, ship building companies and boiler manufacturers prior to 2005 and since the Company's adjustment of its product offering and target customer in 2005, the Company focused on major oil fields and their designated processing factories as the Company's core customers. As a result of such strategic focus, the Company's customers further streamlined to approximately 1,000 as at 30 June 2006.

For the six months ended 30 June 2006, sales were RMB596.1 million and profit attributable to equity holders was RMB53.42 million.

Human resources

	As at Latest Practicable Date
Research and development	27
Production	651
Quality control	62
Sales and marketing	29
Administration	<u>56</u>
Total	<u><u>825</u></u>

As at 1 January 2006 and the Latest Practicable Date, there were a total of 602 and 825 staff members respectively. The turnover of personnel for the period from 1 January 2006 up to the Latest Practicable Date was an increase of 239 personnel.

Certification

In February 2006, the Company received a certification from the American Petroleum Institute. Such certification makes it easier for the Company to qualify under the standards and specifications set by its customers for their products. In the case of API, this is an important milestone.

In August 2006, the Company obtained the plant certification from the Korean Register of Shipping. Such certification makes it easier for the Company to qualify under the standards and specifications set by its customers for their products, thereby enabling it to secure orders from customers in those countries.

Funding Arrangements

As at the Latest Practicable Date, the Company had an outstanding bank loan of RMB110,000,000 guaranteed by Tianda Holding and bank drafts endorsed by Tianda Holding to the Company amounting to RMB19,543,000. The Company has been notified by its banks that they are prepared to release Tianda Holding's guarantees upon the Listing Date.

HISTORY AND ACTIVE BUSINESS PURSUITS

Corporate milestones

On 13 April 2006, the Company was transformed into a joint stock company with limited liability, thereby adopting a legal structure which would facilitate its history. In terms of operating premises, as at 30 June 2006 the Company had a 127,000 sqm. production facility and implemented additional production machinery including commencement of the oil well pipe production line, and implemented additional production and inspection machine, such as conical piercing machine, cold drawing machine, tilt furnace, roller bottom annealing furnace.