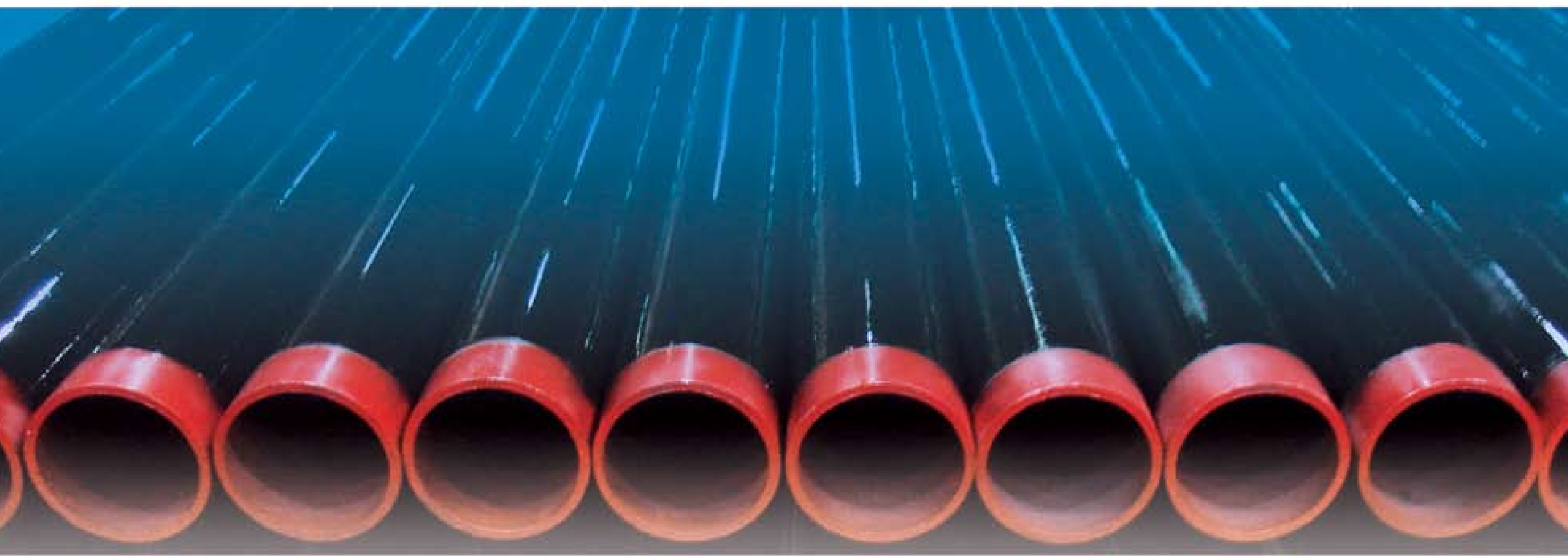
Anhui Tianda Oil Pipe Company Limited
安徽天大石油管材股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code : 8241)



Annual Report 2006

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This Annual Report, for which the directors (the "Directors") of Anhui Tianda Oil Pipe Company Limited ("the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (i) the information contained in this Annual Report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this Annual Report misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

YE Shi Qu *(Chairman)*
ZHANG Hu Ming *(Deputy Chairman and General Manager)*
XIE Yong Yang

Non-executive Directors

ZHANG Jian Huai
LIU Peng

Independent Non-executive Directors

WU Chang Qi
WANG Xiu Zhi
ZHAO Bin

Supervisors

LIU Jun Chang
YONG Jin Gui
YANG Quan Fu

COMPLIANCE OFFICER

ZHANG Hu Ming

QUALIFIED ACCOUNTANT AND JOINT COMPANY SECRETARY

HO Kin-cheong, Kelvin

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2906, China Online Centre
333 Lockhart Road, Wanchai
Hong Kong

AUDIT COMMITTEE

ZHAO Bin *(Chairman)*
WU Chang Qi
ZHANG Jian Huai

REMUNERATION AND NOMINATION COMMITTEE

WU Chang Qi *(Chairman)*
WANG Xiu Zhi
XIE Yong Yang

REGISTERED OFFICE

Zhenxing Road
Tongcheng Town
Tianchang City, Anhui Province
The People's Republic of China

INTERNATIONAL AUDITORS

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
China Construction Bank
Industrial and Commercial Bank of China Limited

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

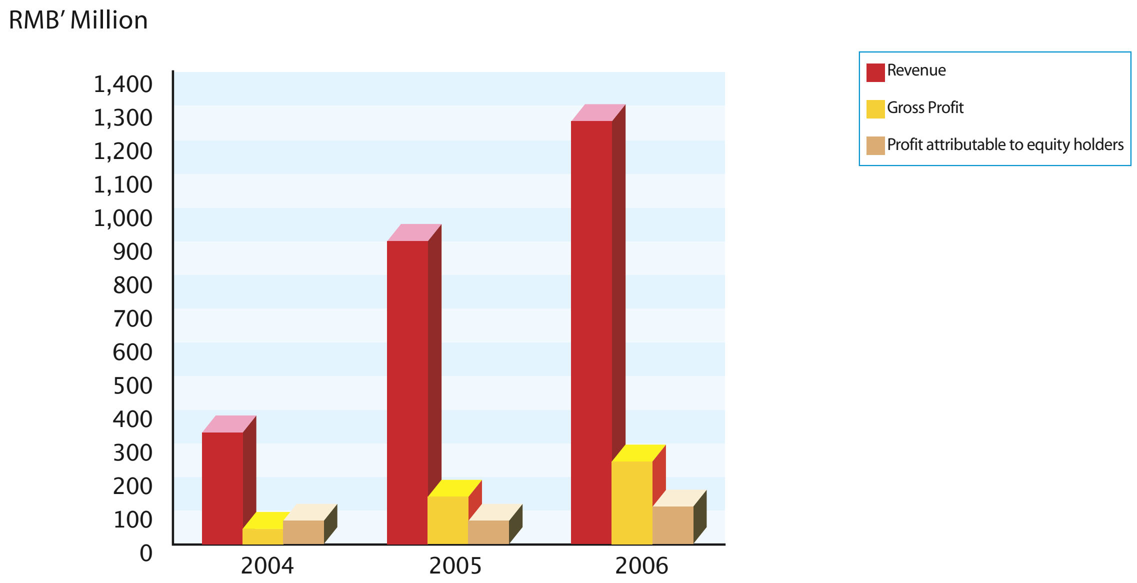
Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

OFFICIAL WEBSITE

http://www.td-gg.com

FINANCIAL SUMMARY

	2006	2005	2004
	RMB'000	RMB'000	RMB'000
Profit and loss items			
Revenue	**1,265,314**	906,590	333,645
Gross Profit	**251,775**	144,181	45,592
Profit attributable to equity holders	**118,491**	71,874	74,100
Balance sheet items			
Total non-current assets	**370,210**	280,546	275,442
Total current assets	**788,361**	305,103	86,507
Total assets	**1,158,571**	585,649	361,949
Total non-current liabilities	**35,000**	85,000	65,000
Total current liabilities	**286,199**	189,347	126,469
Total liabilities	**321,199**	274,347	191,469

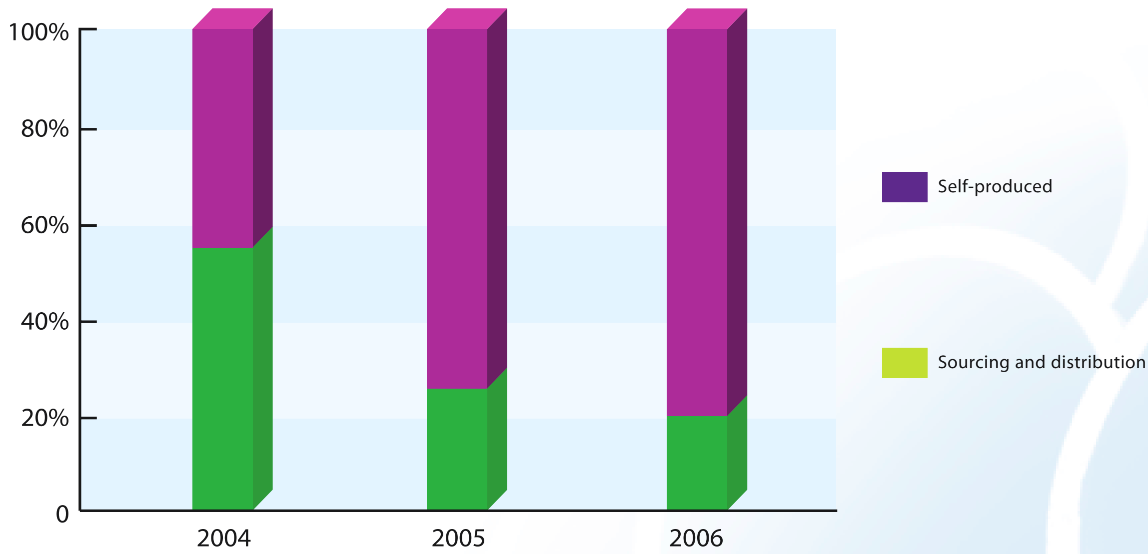


FINANCIAL SUMMARY

Revenue for the year ended 31 December 2006 amounted to approximately RMB1,265,314,000 (2005: approximately RMB906,590,000), representing an increase of approximately 39.6% as compared with that in 2005.

Profit attributable to equity holders for the year ended 31 December 2006 amounted to approximately RMB118,491,000 (2005: approximately RMB71,874,000), representing an increase of approximately 64.9% as compared with that in 2005.

The chart below shows the percentages of total revenue contributed by self-produced product and sourcing and distribution products respectively.



CHAIRMAN'S STATEMENT

Year 2006 marked an important milestone in the development of the Company. With management's 13 years of experience in the manufacturing, sourcing and distribution of specialized seamless pipes, the Company has established a sound position in the industry and had its shares successfully listed on the GEM of the Stock Exchange in Hong Kong on 1 December 2006. On behalf of the board of Directors (the "Board"), I am pleased to present to you the first annual report of Anhui Tianda Oil Pipe Company Limited ("the Company").

OPERATIONAL REVIEW

The Company continues to operate from both its production bases in Tianchang City and Chuzhou City, both in Anhui Province, the People's Republic of China ("China"). Production capacity in 2006 was 300,000 tonnes (2005: 200,000 tonnes) and the strong demand for our major core products continued to meet our expectations. Specifically, our technology upgrade projects (namely those relating to the introduction of heat processing of 100,000 tonnes per annum of oil casing pipes and threading finish for oil casing pipes up to 100,000 tonnes per annum) in 2006 are on schedule. We expect demand will increase and product mix will be further optimised in 2007. Apart from self production, the sourcing and distribution segment of our turnover business continued to form a significant part of our revenue in 2006.

Oil prices remained relatively high throughout 2006, ranging from US$52.51 to US$67.99 per barrel (sourced: Energy Information Administration of the United States of America). When oil prices at such relatively high levels are, coupled with the growing economy and the ever-increasing energy needs of Mainland China, this translates to strong demand for our oil well pipes products.

FINANCIAL RESULTS

The Company's audited financial results for the year ended 31 December 2006 can be summarised as follows:—

- revenue of approximately RMB1,265,314,000
- profit attributable to equity holders of approximately RMB118,491,000 and
- earnings per share of RMB0.34 per share.

The profit attributable to equity holders achieved in 2006 was in line with expectations and exceeded the profit forecast as set out in the Company's prospectus dated 27 November 2006 (the "Prospectus").

FUTURE PROSPECTS

For the first two months of 2007, oil prices have continued to remain relatively high. The prospects of demand for oil well pipes continue to be underpinned by increased oil exploration globally and domestically the PRC. In order to meet the growing market demand for the Company's products, I am also pleased to report that we had obtained the relevant governmental approval for our "Eleventh Five Year Plan" technological upgrade of oil well pipes project (referred to in the Prospectus as phase II of the Company's project within the "861 Action Plan", further details of which were published in the Company's announcement dated 16 January 2007). We are now in the process of conducting environmental impact evaluations and applying for other approvals pursuant to the relevant environmental regulations. This is the Company's plan to increase production capacity by 300,000 tonnes for high grade oil well pipes by the end of 2009. The expected investment cost will be approximately RMB790,000,000 and will be funded, as and when required, by a combination of internal cash resources, bank financing and equity financing depending on a combination of various conditions (including market conditions) at the relevant time. We will further reinforce our efforts on product research and development as well as technological upgrade processes to improve our product offering, increase our products' value, improve performance of our production equipment, improve corporate governance and reduce operating costs.

The Company will also seek opportunities to broaden its product mix as part of its ongoing efforts to strengthen logistics and one-stop shop service. This can be achieved by ramping up its approximately 31,500 sq.m. distribution and logistics centre established in Chuzhou in 2006 and diversifying into more downstream products. We have made further inroads into the PRC domestic market on the back of continued and active exploration in the oil field markets in the northeastern and northwestern parts of China. At the same time, we are actively expanding our penetration rate and sales in the international market by exporting products to more countries and regions such as the Middle East, Africa and South America.

ACKNOWLEDGEMENT

Finally, on behalf of the board of directors of the Company, I would like to take this opportunity to thank all our employees for making all this possible through their dedication, hard work and loyalty. I am also grateful to my fellow directors for their support and advice. Together, we will continue to strive for creating long term value for our shareholders in 2007.

Ye Shi Qu
Chairman

19 March, 2007

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

During the year under review, the Company continued to research and develop new oil well pipe products and its sourcing and distribution business also maintained steady growth. In early 2006, the Company launched a new production line for oil well pipes in the Company's Tianchang production facilities.

Through technology upgrades, the Company has increased the standard and the added-value of its products. The Company commenced its technology upgrade projects for heat processing of 100,000 tonnes of oil casing pipes and threading finish for oil casing pipes for up to 100,000 tonnes per annum and expects to commence commercial production in the first half of 2007. Once in commercial production, the oil well pipes can, after threading, be used directly in the oil fields without further processing under normal circumstances. The performance and quality of oilwell pipes which have been subject to heat processing were enhanced and they can be used in harsher geological conditions, thereby enhancing the standards of the Company's products and optimizing its product mix.

FINANCIAL REVIEW

The Company recorded a turnover of approximately RMB1,265,314,000 during the year, representing an increase of approximately 39.6% from approximately RMB906,590,000 for the corresponding period in 2005. This increase was primarily attributable to the Company's increased sales as a result of the commencement of production from the new oil well pipe production line in the Tianchang production facilities in early 2006 and better utilisation of the oil well pipe production line launched in Chuzhou production facilities in 2006.

The Company's cost of sales increased 32.9% of from RMB762,409,000 in 2005 to RMB1,013,539,000 in 2006, and is lower than the increment of the Company's revenue increase. The increase in cost of sales is mainly due to the increase in sales as a result of both a relatively more optimized production line as compared with 2005 in the Company's Chuzhou production facilities which in turn leads to a high production capacity, as well as the implementation of a new oil well pipe production line in the Tianchang production facilities in early 2006.

The gross profit and the gross margin of the Company were approximately RMB251,775,000 and 19.9% respectively, representing a respective increase of RMB107,594,000 and 25.2% from the corresponding period in 2005. The increase in the gross profit was attributable to the launching of the new production line in the Company's Tianchang production facilities for oil well pipes, the higher utilization rate of the oil well pipe production line in the Company's Chuzhou production facilities and the commencement of sales of certain high value-added oil well pipe products in the market.

The Company's profit attributable to equity holders amounted to approximately RMB118,491,000 for the year, representing an increase of approximately 64.9% as compared with 2005. Such increase was mainly attributable to increase in sales of oil well pipes with higher margins and increased economies of scale.

MAJOR EVENTS

On 1 December 2006, the H shares of the Company with a nominal value of RMB0.50 each in the registered capital of the Company (the "H Shares") were successfully listed on the GEM of the Stock Exchange by way of international placing (the "International Placing"), and the placing price for each placing H Share was HK$3.00.

Pursuant to the International Placing, the Company issued 145,714,000 H Shares. Immediately after the completion of the International Placing, the registered share capital of the Company was RMB242,857,000 divided into 485,714,000 shares of RMB0.50 each. Upon the exercise in full of the over-allotment option on 7 December 2006, the Company issued a further 21,856,000 new H Shares at a price of HK$3.00 per share and such H shares were also listed on the GEM. As a result of the exercise of such option, the Company's registered share capital increased to RMB253,785,000 consisting of 507,570,000 shares of RMB0.50 each.

The gross and net proceeds from the International Placing and the exercise of the over-allotment option totalled approximately HK$502,710,000 and approximately HK$460,969,000 respectively.

The proceeds were intended to finance the implementation costs of a set of business plans to capitalize on business opportunities in the market of oil well pipes and other specialized seamless pipes.

MANAGEMENT DISCUSSION AND ANALYSIS

As per the Statement of Business Objectives set out in the Prospectus (please refer to the section headed "Reasons for international placing and use of proceeds" for details)	**Actual business progress from 21 November 2006 (being the latest practicable date as per the Prospectus) to 31 December 2006**
PRODUCT IMPROVEMENT AND DEVELOPMENT	
• Use of HK$29,300,000 raised from the International Placing for purchasing equipment for threading production line	The Company is progressing the establishment of the production line. Due to delays in the delivery of equipment for the threading production line, not all of the expected payments had been disbursed as at 31 December 2006. Approximately HK$13,702,000 was spent by 31 December 2006 and the balance will be used in 2007.
• Use of HK$33,700,000 raised from the International Placing for purchasing equipment for the production line for heat processing of oil casing pipes	Approximately HK$33,216,000 was actually spent. It is expected that the production line will commence production in the first half of 2007.
RESEARCH AND DEVELOPMENT	
• Investment of HK$1,000,000 in the research and development of new products	Approximately HK$265,000 was spent for the research and development of high-grade steel oil well pipe products such as X42 steel pipes, N80-Q and P110.
SALES AND MARKETING	
• Use of HK$500,000 raised from the International Placing for marketing	The entire budgeted amounts were spent mainly for advertising in professional publications and websites like such as Alibaba, both at the national level and provincial level.

As per the Statement of Business Objectives set out in the Prospectus (please refer to the section headed "Reasons for international placing and use of proceeds" for details)	**Actual business progress from 21 November 2006 (being the latest practicable date as per the Prospectus) to 31 December 2006**
PRODUCTION PACKAGING AND LOGISTICS	
• Use of HK$9,900,000 raised from the International Placing for production packaging and logistics	The Company spent approximately HK$2,891,000. Land acquisition and plant design were completed. Due to delays in obtaining land approvals, weather and other factors, the Company is continue progressing this project and the balance is expected to be applied towards this project in the first half of 2007.
PHASE II OF THE 861 ACTION PLAN FEASIBILITY STUDY	
• The Company will use HK$5,000,000 to continue appointing China International Engineering Consulting Corporation in handling its initial phase investment in the areas of feasibility study, environmental impact assessment, equipment know-how and administration and other expenses	This project is still under way. A total of HK$600,000 was spent for conducting the feasibility study in this phase. During this period, the Company also had numerous technical exchanges and commercial negotiations with a number of design companies. According to the original plan, the Company was responsible for the relevant costs of the above technical exchanges. However, the relevant parties have now agreed to bear their own costs and such savings will continue to be ear marked for related expenditure in 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

Save for the proceeds from the Company's listing in 2006, our working capital was also generally financed by our internally generated cash flow and borrowing from banks.

As at 31 December 2006, the Company's cash and bank deposits amounted to approximately RMB436,429,000 (2005: approximately RMB12,749,000). As at 31 December 2006, the Company's interest-bearing loans and borrowings amounted to approximately RMB105,000,000 (2005: approximately RMB110,000,000) Bank loans of the Company bear interest at commercial rates ranging from 5.58% to 6.12% per annum. All of the Company's banks loans were unsecured as at 31 December 2006. There is no particular seasonality of the Company's borrowings. Details of the Company's loan maturity profile are set out in Note 20 of the financial statement accompanying the annual report. All loans of the Company are denominated in Renminbi.

The Company's gearing ratio as at 31 December 2006 was approximately 9.1% (2005: approximately 18.8%), which is a percentage based on the interest-bearing loans and borrowings divided by total assets.

The Company may make use of appropriate hedging measures when required although it has no particular hedging activities at present.

CHARGES ON ASSETS

As at 31 December 2006, none of the Company's property, plant and equipment and bank deposit were pledged to secure the banking facilities of the Company (2005: Nil).

SIGNIFICANT INVESTMENTS

During the year ended 31 December 2006, the Company did not have any significant investment.

MAJOR ACQUISITION AND DISPOSAL

Save for the reorganization undertaken prior to the Company's listing as stated in the Prospectus and the Company's disposal of 25% equity interest in Anhui Tianda Import and Export Co. Ltd. to Anhui Tianda Group Plastic Compound Products Company Limited ("Tianda Plastic Company") at a consideration of RMB500,000 in March 2006, the Company did not make any major acquisition or disposal for the year ended 31 December 2006.

CONTINGENT LIABILITIES

As at 31 December 2006, the Company's contingent liabilities including bank accepted drafts endorsed with recourse amounted to approximately RMB131,168,000 (2005: approximately RMB227,189,000).

EXCHANGE RISK

Generally, the Company sells its products to overseas customers where payments are made in US$. The Company's turnover from overseas customers, as denominated in RMB may be affected to the extent its customers' payment are subject to foreign currency fluctuations.

All cash and cash equivalents of the Company are denominated in Renminbi and Hong Kong dollars and bank deposits are placed with banks in the PRC and, to a smaller extent, with Chinese banks in Hong Kong to fund the Company's expenses in Hong Kong. Remittance of funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

SEGMENTAL INFORMATION

1. Self-produced specialised seamless pipes

The Company successfully commenced commercial production of oil well pipes in January 2005. Oil well pipes are products with higher margins and development potential as compared with other specialised seamless pipes produced by the Company. The Company's gross profit had been increased significantly since its production of oil well pipes.

In 2006, the Company developed high-grade steel and high value-added specialised oil well pipes with high technical contents mainly through technological research and development. The Company kept innovating craftsmanship, enhanced the performance of equipment, kept improving product mix and optimized market structure in order to achieve product differentiation. During the year, the Company started the construction of oil well pipe heat processing and threading production lines. After these production lines have commenced commercial production, it is believed that they will further enhance the standard and added value of oil well pipes.

Global oil prices remained high in 2006. Due to the ever-increasing costs of oil exploration incurred by major oil companies in the world as a result of increasing demand for energy, there is still a strong demand for oil well pipes. Thanks to continuous oil exploration, the depths to which oil wells are bored have become much deeper, penetrating harsher geological environments. Thus, durable and high-grade steel oil well pipes would be more extensively used. There is continuing increase in global demand for oil well pipes and China has become a net exporter of oil well pipe products since 2003. The Company will continue to actively export products to the international market while satisfying domestic demand in China. Sales to the international market was increased from RMB24,063,000 in 2005 to RMB89,947,000 in 2006, representing an increase of 273.80% as compared with that of 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Sourcing and distribution of specialised seamless pipes

There are many different types of specialised seamless pipes and no single specialised seamless pipe manufacturer can manufacture specialised seamless pipes covering all specifications and types. Apart from self-produced specialised seamless pipes to serve the Company's customers, the Company has also been providing a one-stop shop service to its customers by assisting its customers to source and distribute other specialised seamless pipes not yet manufactured by the Company so as to increase the customers' sourcing speed, reduce their costs of sourcing and provide them with all-round services.

As of 31 December 2006, the Company established a warehouse with an area of approximately 31,500 sq.m. in Chuzhou which is used as its distribution and logistics centre. The Company had 10 personnel dedicated to sourcing and distribution. In the year ended 31 December 2006, the Company sourced and distributed a total of approximately 46,000 tonnes of specialised seamless pipes, representing an increase of 24.6% over that of 2005.

The Company remained active in the sourcing and distribution of specialized seamless pipes during the year under review notwithstanding the ever-changing industry and market conditions.

EMPLOYEES AND REMUNERATION POLICIES

The Directors believe that the quality of its employees is one of the most important factor for the sustainable development and growth of the Company and the enhancement of the Company's profitability. As at 31 December 2006, the Company had 840 employees (2005: 602 employees). The remuneration package of the Company includes salaries, incentives (such as bonus based on work performance) and allowances. The Company also provides employee benefits including basic pension fund, basic medical insurance and two insurance schemes. As stipulated by the PRC state regulations, the Company participates in a defined contribution retirement plan. Adequate provisions have been made at the accounts based on the relevant laws and regulations. The Company also participates in a mandatory provident fund scheme in respect of its employee in Hong Kong.

The Company has set up a remuneration and nomination committee to review and consider the remuneration policies and structure for the Company's directors and senior management and make proposals to the board of Directors and to review and approve the performance-linked emoluments with reference to the objectives of the Company as adopted from time to time by the board of Directors. For details, please see section in Corporate Governance Report.

PROSPECTS

For the first two months of 2007, oil prices have continued to remain relatively high. The prospects of demand for oil well pipes continue to be underpinned by increased oil exploration globally and domestically in the PRC. In order to meet the growing market demand for the Company's products, the Company had obtained the relevant governmental approval for our "Eleventh Five Year Plan" technological upgrade of oil well pipes project (referred to in the Prospectus as phase II of the Company's project within the "861 Action Plan", further details of which were published in the Company's announcement dated 16 January 2007). The Company is now in the process of conducting environmental impact evaluations and applying for other approvals pursuant to the relevant environmental regulations. It is the Company's plan to increase its production capacity by 300,000 tonnes for high grade oil well pipes by the end of 2009. The expected investment cost will be approximately RMB790,000,000 and will be funded, as and when required, by a combination of internal cash resources, bank financing and equity financing depending on a combination of various conditions (including market conditions) at the relevant time. The Company will further reinforce its efforts on product research and development as well as technological upgrade processes to improve its product offering, increase its products' value, improve performance of its production equipment, improve corporate governance and reduce operating costs.

The Company will also seek opportunities to broaden its product mix as part of its ongoing efforts to strengthen logistics and one-stop shop service. This can be achieved by ramping up its approximately 31,500 sq.m. distribution and logistics centre established in Chuzhou in 2006 and diversifying into more downstream products. The Company has made further inroads into the PRC domestic market on the back of continued and active exploration in the oil field markets in the northeastern and northwestern parts of the PRC. At the same time, the Company is actively expanding its penetration rate and sales in the international market by exporting products to more countries and regions such as the Middle East, Africa and South America.

CORPORATE GOVERNANCE REPORT

Throughout the period from 1 December 2006, the date of listing of the Company's shares on GEM, to 31 December 2006 (the "Post Listing Period"), the Company has complied with the code of provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities ("Listing Rules") on the GEM of the Stock Exchange. The Board and the senior management of the Company has appraised itself of the requirements of the Code and reviewed the practices of the Company to ensure compliance.

BUSINESS OBJECTIVES

The following is a comparison of the actual business progress from 21 November 2006 (being the latest practicable date as stated in the prospectus of the Company dated 27 November 2006, herein referred to as the Prospectus) to 31 December 2006 ("Review Period") and the business objectives as set out in the Prospectus. Almost all objectives have been achieved by the Company whilst a number of them are still in progress.

Business objectives for the Review Period as stated in the Prospectus	Actual business progress as of the 31 December 2006
Product improvement and development	During the Review Period, the Company has successfully developed X42 steel pipes and pipe products for the Korean Register of Shipping that further strengthened the Company's competitiveness and market position. Through the heat processing of oil well pipes, research in threading production technology and craftsmanship, enhancement of technology upgrade for equipment, the Company has further increased the standard and value of its products. The project for heat processing of 100,000 tons of casing pipes per annum invested by the Company will commence commercial production in the first half of 2007. The threading finish for casing pipes for up to 100,000 tons is still under way due to delays by the supplier in providing material parts of the threading production line.

Business objectives for the Review Period as stated in the Prospectus	Actual business progress as of 31 December 2006
Research and Development	The Company has also improved the performance of its equipment, enhanced synergy and reduced the costs of production through technology upgrades. The Company's annual production has reached 300,000 tons. Through the heat processing of oil well pipes and further research and development of the production technologies and craftsmanship for threading, the Company has developed more new high-end products, and added value to the product mix. Through technology cooperation with Tubular Goods Research Center of China National Petroleum Corporation, the Company has successfully developed pressure resistant oil well pipes with high grade steel, such as N80-Q, L80 and P110, and its product quality was substantially improved. At the same time, the Company has also carried out research and development of the US. Society of Automotive Engineers' SAE1527 steel for the automobile industry. The product is presently at the stage of research, development and trial production. The successful research and development of this product would further optimize the Company's product mix.

CORPORATE GOVERNANCE REPORT

Business objectives for the Review Period as stated in the Prospectus	Actual business progress in as of 31 December 2006
Sales and Marketing	The Company has further intensified its sales and marketing efforts, further integrated the promotional activities of the Company's publications and sales network by carrying out advertising activities in about 50 professional publications and websites like Alibaba in both national and provincial level. The Company has updated its website and developed a much closer cooperation with such website as Alibaba in order to optimize resources, The Company participated in the Second International Pipe Materials Exhibition held at Shanghai Expo Exhibition Centre and the Second Shanghai International Steel Pipes Trade Exhibition 2006 in May and September 2006 respectively. The Company is able to capitalize on market information, strengthen communication with its customers and place itself in a better position to demonstrate its strength and image through professional pipe exhibitions of its trade.
Production packaging/logistics	The Company completed its development of its distribution and logistics centre by increasing production storage area by approximately 40,000 sq.m.
Phase II of the 861 Action Plan feasibility study	The Company has completed its feasibility study and obtained the main relevant governmental approval. It will continue its environmental impact evaluation and applications for other approvals and progress improvement works on equipment and construction know-how.

INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. During the year under review, besides being reviewed by the Audit Committee of the Company, the Board has appointed an independent professional firm to conduct a review of the effectiveness of the internal control system of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopts standards of conduct regarding Director's dealing in securities as set out in the GEM Listing Rules. In addition, the Company made specific enquiries of all Directors and each Director had confirmed that during the year ended 31 December 2006, they have fully complied with the required standards.

OPERATIONS OF THE BOARD

The Company planned in advance board meetings in order to make sure all Directors could plan in advance their availability to attend the scheduled board meetings. Board minutes are kept and every board member is entitled to have access to board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek professional advice if required.

For the year ended 31 December 2006, there were in total 8 Board meetings held and the attendance record of the directors is set out below:

	Number of meetings		**Attendance**
Members of the Board	**Held**	**Attended**	**percentage**
EXECUTIVE DIRECTORS			
Mr. Ye Shi Qu	8	8	100%
Mr. Zhang Hu Ming	8	8	100%
Mr. Xie Yong Yang	8	8	100%
NON-EXECUTIVE DIRECTORS			
Mr. Zhang Jian Huai	8	8	100%
Mr. Liu Peng	8	8	100%
INDEPENDENT NON-EXECUTIVE DIRECTORS *(Note)*			
Mr. Wu Chang Qi	8	6	75%
Mr. Wang Xiu Zhi	8	6	75%
Mr. Zhao Bin	8	6	75%

Note: 2 board meetings were held prior to the appointment of the independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON EXECUTIVE DIRECTORS

In full compliance with Rules 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors, at least one of whom has appropriate professional accounting qualifications. The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such director to be independent in accordance with each and every guideline set out in rule 5.09 of the GEM Listing Rules.

Each of Mr. Zhao Bin, Mr. Wu Chang Qi and Mr. Wang Xiu Zhi has no financial, business, family or other material relationship among the members of the Board.

The Board is responsible for the overall strategic development of the Company and is also responsible for the financial performance and internal control policies and procedures of the Company's business operations.

Pursuant to the service contracts entered into between each of the non-executive Directors and the Company, each of them has been appointed for a term of 3 years from the Listing Date.

Chairman and chief executive officer

During the Post Listing Period, Mr. Ye Shi Qu serves as the Chairman of the Company and is responsible for formulating the Company's overall strategies and business directions. Mr. Zhang Hu Ming serves as the Deputy Chairman and General Manager of the Company. He is responsible for and devotes all his time to the daily management and operations of the Company and effectively carries out the role of a chief executive officer. Save for Mr. Ye Shi Qu who is the uncle of Mr. Liu Peng (a non-executive Director), there are no family relationship or material financial and business relationships between members of the Board.

The Audit Committee

The Audit Committee comprises Mr. Zhao Bin (Chairman), Mr. Wu Chang Qi and Mr. Zhang Jian Huai, the majority of whom are independent non-executive Directors.

The Company established an audit committee on 24 July 2006 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and has held one meeting during 2006.

	Number of meetings		**Attendance**
Members of the Audit Committee	**Held**	**Attended**	**percentage**
Mr. Zhao Bin *(Chairman)*	1	1	100%
Mr. Wu Chang Qi	1	1	100%
Mr. Zhang Jian Huai	1	1	100%

The primary duties of the audit committee include:

(i) to review and supervise the financial reporting process and internal control system of the Company;

(ii) to provide advice and comments to the Board;

(iii) to appoint auditor, determine its remuneration and any matters relating to the removal and resignation of the auditor;

(iv) to review the effectiveness of the Company's internal control measures, including the regular review on the internal control procedures for the Company's structure and business process flow on an ongoing basis, and to consider the potential risks and their relevance to the business operation of the Company and effectiveness on implementation of business objectives and strategies; and

(v) to review the internal audit plan of the Company and to submit report and recommendations to the Board on a regular basis.

The Company's audited financial statements as set out in this annual report have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee of the Company comprised three directors, namely Mr. Wu Chang Qi (Chairman), Mr. Wang Xiu Zhi and Mr. Xie Yong Yang.

The Company established the Remuneration and Nomination Committee in 24 July 2006 and has held one meeting during 2006.

Members of the Remuneration Committee	**Number of meetings Held**	**Attended**	**Attendance percentage**
Mr. Wu Chang Qi *(Chairman)*	1	1	100%
Mr. Wang Xiu Zhi	1	1	100%
Mr. Xie Yong Yang	1	1	100%

CORPORATE GOVERNANCE REPORT

The main responsibilities of the committee include:

(i) to review and consider the remuneration policies and structure for the Company's directors and senior management and make proposals to the Board;

(ii) to review and approve the performance-linked emoluments with reference to the objectives of the Company as adopted from time to time by the Board; and

(iii) to nominate candidates for Directors based on his or her prior experience and qualifications, to examine nominations for Directors and to make recommendations to the Board for the appointments.

COMPLIANCE OFFICER, QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Compliance Officer:	Mr. Zhang Hu Ming
Qualified Accountant:	Mr. Ho Kin-Cheong, Kelvin (member of The Association of Chartered Certified Accountant and the associate member of the Hong Kong Institute of Certified Public Accountants)
Joint Company Secretary:	Mr. Ho Kin-Cheong, Kelvin (member of The Association of Chartered Certified Accountant and the associate member of the Hong Kong Institute of Certified Public Accountants)

Auditors' Remuneration

The Audit Committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Company paid an aggregate of approximately HK$725,000 to the external auditors for their services including audit and non-audit services (of which HK$700,000 was paid to the overseas auditor, Ernst & Young, and RMB25,000 was paid to the PRC domestic auditor, Anhui Tianhua Certified Public Accountants (安徽天華會計師事務所).

Investors Relations

The Board and senior management recognize their responsibility to represent the interests of all shareholders and to maximize shareholder's value and have made the following commitments to the Company's shareholders:

- Continuing effort to maintain long-term stability and growth in shareholder value and return on investment;
- Responsible planning, construction and operating of the Company's core businesses;
- Responsible management of the Company's investment and business risks; and
- True, fair and in detail disclosure of the financial position and operating performance of the Company.

The Company believes that shareholders' rights should be well respected and protected. The Company endeavors to maintain good communications with shareholders on its performance though quarterly results announcements, annual reports and general meetings, so that they may make an informed assessment of their investments and the exercise of their rights as shareholders. The Company also encourages shareholders' participation through general meetings or other means.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2006.

LISTING ON GEM OF THE STOCK EXCHANGE

The H Shares (the "H Shares") of the Company were listed on GEM with effect from 1 December 2006 (the "Listing Date").

PRINCIPAL ACTIVITIES

The Company is engaged in the manufacture, sourcing and distribution of specialized seamless pipes. The Company classifies its products into two main categories: (i) specialized seamless pipes for the oil and natural gas industry, including oil well pipes (mainly oil transfer pipes and casing pipes etc.) and petrochemical pipes; and (ii) other specialized seamless pipes which include vessel pipes and boiler pipes.

RESULTS AND DIVIDENDS

The results of the Company for the year ended 31 December 2006 are set out in the income statement and the accompanying Notes to the financial statements on page 43 to page 84 of this report .

The equity holders of the Company's predecessor had in the general meeting on 20 March 2006 approved the recommended final dividend of RMB56,663,000 in total for the financial year ended 31 December 2005 to be distributed to the equity holders at that time.

The Board has recommended the payment of a final dividend of RMB0.05 per share in respect of the year ended 31 December 2006. Dividends payable to domestic shareholders will be paid in RMB, while dividends payable to holders of H Shares will be paid in Hong Kong dollars. Subject to the approval at the annual general meeting to be held on 10 May 2007, the final dividend is expected to be payable on or about 6 June 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company shall be closed from 10 April 2007 to 10 May 2007 (both days inclusive) during which period no transfer of shares will be effected. To be eligible for the dividends, all transfer documents accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company's transfer office and share registrar in Hong Kong, whose address is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30pm on 4 April 2007.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company during the year of 2006 are set out in note 13 of the Notes to the financial statements.

SHARE CAPITAL

Details of the issued share capital of the Company are set out in note 23 of the Notes to the financial statements.

DISTRIBUTABLE RESERVE

Subsequent to the listing of the Company's H Shares, the Company's reserves available for distribution to shareholders is the lower of its accumulated profits as stated in the statutory financial statements in the People's Republic of China ("PRC") and the financial statements prepared under International Financial Reporting Standards ("IFRS"). As at 31 December 2006 the Company's distributable reserve. After such comparison and before deducting the proposed dividend for 2006 represents its accumulated profits prepared in accordance with the accounting standards for Business Enterprises, the Accounting System for Business Enterprises and other related regulations issued by the Ministry of Finance of the PRC (the "PRC GAAP") of approximately RMB165,265,000 (31 December 2005: accumulated profits prepared in accordance with PRC GAAP of approximately RMB81,474,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2006, sales to the five largest customers of the Company accounted for less than 30% of the Company's total turnover. For the year ended 31 December 2006, purchases from the Company's largest supplier and five largest suppliers accounted for approximately 31.9% and 56.1% respectively of the Company's total purchases.

None of the Directors, the supervisors (the ''Supervisors") of the Company and their associates or any Shareholders (which to the knowledge of the Directors owned more than 5% of the Company's Shares) had an interest in any of the Company's five largest customers or suppliers.

REPORT OF THE DIRECTORS

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year and up to the date of this report included:

Executive directors:

Mr. Ye Shi Qu *(Chairman)*
Mr. Zhang Hu Ming *(Deputy Chairman and General Manger)*
Mr. Xie Yong Yang

Non-executive Directors:

Mr. Zhang Jian Huai
Mr. Liu Peng

Independent non-executive Directors:

Mr. Wu Chang Qi
Mr. Wang Xiu Zhi
Mr. Zhao Bin

Supervisors:

Mr. Liu Jun Chang
Mr. Yong Jin Gui
Mr. Yang Quan Fu

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Ye Shi Qu, aged 57. He is the Chairman and an executive Director of the Company. Mr. Ye is responsible for formulating the overall strategies and business directions of the Company. Mr. Ye is the founder of Anhui Tianda Enterprise (Group) Company Limited ("Tianda Holding") and has been its Chairman since then. As disclosed in the Prospectus, Mr. Ye will resign from Tianda Holding within 6 months from the Listing Date and this is still being progressed. Mr. Ye is very experienced in the management of specialized seamless pipe business and in the years passed, he has demonstrated a keen understanding of this industry. Mr. Ye had been awarded the Model of National Agricultural Labour, National Excellent County Entrepreneur, Top Ten Entrepreneur in Anhui Province and Third China Best Entrepreneur of Privately owned Enterprises. Mr. Ye is also a director of Konka Group Co., Ltd., a company listed on The Shenzhen Stock Exchange. Mr. Ye is also the Deputy Chairman of the Enterprises Association and Entrepreneur Association of Anhui Province and the Deputy Chairman of the Federation of Industrial Economics. Mr. Ye was appointed as a Director in April 2006 but has been involved in the Company's business since 1993 (then operated by one of the Company's predecessors). Mr. Ye is the uncle of Mr. Liu Peng, a non-executive Director of the Company.

Mr. Zhang Hu Ming, aged 38. He is the Deputy Chairman, an executive Director and the General Manager of the Company. Mr. Zhang was a director of Tianda Holding until 13 November 2006 when he resigned from Tianda Holding as part of the pre-IPO restructuring process. He is responsible for and devotes all of his time to the daily management and operations of the Company. Mr. Zhang is very experienced in the specialized seamless pipe industry and its management and has been the head of the Company's predecessors since 1995. With his outstanding capabilities in business operations and management, Mr. Zhang was awarded National Excellent County Entrepreneur in 2005. Mr. Zhang was the representative of the Tenth Session of Anhui National People's Congress. Mr. Zhang graduated from the Department of Business Management in Chuzhou College (formerly known as the Vocational School for Education in Chuzhou) in 1991 with post-secondary qualification. He has also obtained a diploma in National Economics from the business school of the University of Nanjing in July 2002. Mr. Zhang was appointed as a Director in April 2006 but has been involved in the Company's business since 1993 (then operated by one of the Company's predecessors).

Mr. Xie Yong Yang, aged 48. He is an executive Director. Mr. Xie was a director of Tianda Holding until 13 November 2006 when he resigned from Tianda Holding as part of the pre-IPO restructuring process. He has devoted all his efforts to assist the general manager of the Company in the daily administration and management of production operation since his appointment as an executive Director of the Company. Mr. Xie has engaged in business management for nearly 30 years and is very experienced in business management and project management. He was in charge of several technology upgrade projects. Prior to Mr. Xie's resignation from Tianda Holding, he also participated in the research, decision making and planning for major projects of Tianda Holding. Mr. Xie was graduated from the Hefei Industrial University with a post-secondary qualification in economics management. Mr. Xie was appointed as a Director in April 2006 but has been involved in the Company's business since April 2000 (when it was then operated by one of the Company's predecessor). Mr. Xie is the brother-in-law of Ms. Huang Yao Qi, the financial controller of the Company.

Non-executive Directors

Mr. Zhang Jian Huai, aged 37. He is a non-executive Director and has been working in the finance and accounting industries for many years and is very experienced in financial practices and operation. Since 2005, he has been the Deputy Financial Controller of Tianda Holding. Mr. Zhang graduated from the Institute of Chinese Communist Party with a bachelor degree in economics management. Mr. Zhang was appointed as a Director in April 2006 but has been involved in the Company's business since October 2005 (when it was then operated by one of the Company's predecessor).

Mr. Liu Peng, aged 30. He is a non-executive Director. He graduated from the Department of Finance in Nankai University in 1997. He was awarded Master of International Business Administration jointly by the Institute of Economics and Management of Qinghua University and Sloan School of Management under Massachusetts Institute of Technology in the US. Mr. Liu has been a non-executive Director of the Company since June 2006. Mr. Liu is the nephew of Mr. Ye Shi Qu, chairman of the Company.

REPORT OF THE DIRECTORS

Independent non-executive Directors

Mr. Zhao Bin, aged 41. Mr. Zhao is a PRC registered accountant and a PRC registered valuer. Mr. Zhao was appointed as an independent non-executive director of the Company in July 2006. Mr. Zhao is the shareholder, deputy chief accountant and deputy general manager of Beijing Zhongxing Xinshizi Accounting Firm. Between 1996 and 2002, Mr. Zhao was engaged by the auditing and valuation department at Anhui Huapo Accounting Firm, Jinhai Branch. Mr. Zhao has also been engaged in the teaching and academic research of accounting, auditing, financial management and securities investment at Anhui Polytechnic University. In 1991, Mr. Zhao was awarded master degree by Anhui Polytechnic University (formerly known as Huinan Mining College). Between March 2002 and 2006, Mr. Zhao was engaged in doctoral research at the China Mining University in Beijing. Mr. Zhao is very experienced in the auditing and establishment of financial management, internal control and risk management for companies. The Board considers Mr. Zhao has the appropriate professional qualification or expertise in accounting and financial management as provided in Rule 5.05 of the GEM Listing Rules and is an appropriate candidate for being independent non-executive director. He was appointed as an independent non-executive Director of the Company in July 2006.

Mr. Wu Chang Qi, aged 71. He is the president of the Assembly for Association of Business Management and the Association of Entrepreneur of Anhui Province, Honourary Chairman of University of Anhui and Anhui Province International Enterpreneur Exchange Association. Mr. Wu is very knowledgeable in the area of enterprise management. He graduated from Hangzhou Civil Engineering College. He was appointed as an independent non-executive Director of the Company in June 2006.

Mr. Wang Xiu Zhi, aged 70. He is Honourary Chairman of Anhui Province Science Association and the Chairman of the Joint Association for Environmental Protection in Anhui Province. He graduated from the Department of Metallurgy in the University of Chongqing with university graduate qualification. He was the manager of Maanshan Iron & Steel Company Limited. Mr. Wang has been engaged in the management of metallurgy industry for many years and considerably experienced in corporate management. He was appointed as an independent non-executive director of the Company in June 2006.

Supervisors

Mr. Liu Jun Chang, aged 41. He was named Model Labour of Anhui Province in September 2002. He graduated from Hefei Industrial University with a major in economics management in June 2002. He is the chairman of the Supervisory Committee of Tianda Holding. He was appointed as the Chairman of the Supervisory Committee of the Company on 13 April 2006 but has been involved in the Company's business since August 2004 (when it was then operated by one of the Company's predecessor).

Mr. Yong Jin Gui, aged 32. He graduated from Anhui Agricultural University with a major in agricultural machinery. He was appointed as a director of Tianda Holding in July 2004. He was appointed as a Supervisor of the Company on 13 April 2006 but has been involved in the Company's business since August 2004 (when it was then operated by one of the Company's predecessor).

Mr. Yang Quan Fu, aged 33. He graduated from Hefei Industrial University with a major in economy management in June 2002. He has been engaged in the production and management related activities of the Company since December 1994 when he first joined the predecessor of the Company. He was appointed as a Supervisor from staff representative of the Company on 13 April 2006.

Senior Management

Mr. Ho Kin-Cheong, Kelvin, aged 39. He is the Qualified Accountant, joint Company Secretary and deputy financial controller of the Company. Mr. Ho is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants and holds a bachelor degree in business administration from the Hong Kong Baptist College. Mr. Ho has over 15 years of experience in finance and accounting. Prior to joining the Company, between June 1992 and September 2006, Mr. Ho was responsible for accounting, finance or company secretarial matters for several listed companies in Hong Kong, namely SMI Publishing Group Limited, SMI Corporation Limited, Garron International Limited, Hanny Holdings Limited, Shenzhen High-Tech Holdings Limited, Global Tech (Holdings) Limited, Hong Kong Pharmaceutical Holdings Limited, South East Group Limited, Climax International Company Limited and Great Wall Cybertech Limited. Mr. Ho was also appointed to be an independent non-executive director of Macau Prime Properties Holdings Limited from 2001 to 2003 and the Company Secretary of China Enterprises Limited, a company whose shares are listed in the United States of America. Mr. Ho joined the Company on 11 September 2006.

Mr. Wang Yi, aged 36. He graduated from Anhui Mechanical and Electrical Institute with a major in heat processing in 1997. He joined the Company after graduation and had been involved in the Company's business (then operated by one of the Company's predecessors) since July 1997. In 2002, in assisting the preparation for the construction of hot-rolled oil well pipe production line as in charged by Mr. Zhang Hu Ming, the General Manager, he devoted much effort to the successful commencement of operation of Chuzhou Branch. In October 2005, he was appointed as the deputy general manager of a predecessor of the Company. In May 2006, he was appointed as the deputy general manager of the Company and in charge of Chuzhou Branch.

Mr. Zhang Chun Xiang, aged 36. He graduated from Anhui Mechanical and Electrical Institute with a major in heat processing in 1993. He joined the Company after graduation and had been involved in the Company's business (then operated by one of the Company's predecessors) since July 1993 engaging in quality control and technology management for approximately 11 years. He was the head of quality inspection division and technology division. Mr. Zhang has much vision to the development of steel pipe industry. During these years, he has been committed to the research and development of the Company. New products researched and developed under his supervision were awarded numerous incentives by the government. In 2002, he participated in the preparation for the construction of hot-rolled oil well pipe production line. In October 2005, he was appointed as the chief engineer of a predecessor of the Company. In May 2006, he was appointed as the chief engineer of the Company and in charge of the research and refining of new products, research and development of products and research of techniques.

REPORT OF THE DIRECTORS

Mr. Geng Wei Long, aged 42. He graduated from Hefei Industrial University in June 1998 with a major in business administration. He joined the Company in May 1993 and has been the supervisor of workshop, head of production division of the various predecessor of the Company and deputy head of production plant of the various predecessor of the Company. Mr. Geng has been engaged in production management for 13 years. He has been involved in the Company's business since 1993 (then operated by one of the Company's predecessors) and in October 2005, he was appointed as the deputy general manager of a predecessor of the Company. In 2006, he was appointed as the deputy general manager of the Company and in charge of the research and development as well as production management at the Tianchang headquarters.

Mr. Lv Si Yu, aged 31. He started his career in 1993. He graduated from Hefei Industrial University in June 2002 with a major in economics and management. He joined the Company in December 1993. He was the sales manager, and has been engaged in sales of steel pipe products for 11 years. He has in-depth understanding to the steel pipe industry and very experienced in sales and marketing. In October 2005, he was appointed as the general manager for sales and was responsible for all external sales activities of a predecessor of the Company. He has been involved in the Company's business since 1993 (then operated by one of the Company's predecessors) and in May 2006, he was appointed as the deputy general manager of the Company and is in charge of the sales and marketing division.

Ms. Huang Yao Qi, aged 43. She graduated from Hefei Industrial University in June 2002 with a major in economics and management. Ms. Huang has been involved in financial work for over 20 years and is very experienced in such area. She joined the Company in August 2004. She has been involved in the Company's business since 2004 (then operated by one of the Company's predecessors) and in November 2005, she was appointed as the financial controller of a predecessor of the Company. In May 2006, she was appointed as the financial controller of the Company. Ms. Huang is the sister-in-law of Mr. Xie Yong Yang, an executive director of the Company.

Mr. Chen Dong, aged 26. He graduated from Chuzhou Broadcasting and Television University in June 2000 and is the head for the corporate office of Tianda Holding. Between May 2004 and April 2005, he received training at Shanghai Shi Pang Corporate Management Advisory Company Limited in relation to corporate management. He joined the Company in April 2006 and was appointed as the Secretary to the Board of the Company on 13 April 2006.

COMPLIANCE OFFICER

Mr. Zhang Hu Ming, is the deputy chairman, an executive Director and General Manager of the Company. Mr. Zhang's personal particulars are set out in the paragraph headed "Executive Directors" in this section. Mr. Zhang advises on and assists the Board in implementing procedures to ensure the Company complies with the GEM Listing Rules and other relevant laws and regulations applicable to the Company and is responsible for responding efficiently to all enquiries directed to the Company by the Stock Exchange.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive and non-executive Directors has entered into a service contract with the Company for an initial term of 3 years commencing on the Listing Date. These contracts are only determinable by the Company upon occurrence of certain conditions as set out in these contracts or upon expiry of these contracts.

Other than as disclosed above, none of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2006, the interest or short positions of the Directors, Supervisors or chief executive of the Company in the shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange once the H Shares are listed, were as follows:

Name of Company	Name of Director or Supervisor	Capacity	Nature of interest and number of Shares /amount of capital contribution (RMB)				Total number of shares / Total amount of capital contribution	Percentage holding of shares/interest in the registered capital of the relevant associated corporation	Approximate percentage of the total issued share capital of the Company
			Personal Interests	Family Interests	Corporate Interests	Other Interests			
Company	Ye Shi Qu	Interest in controlled corporation (Note 1)	—	—	340,000,000 Domestic Shares	—	340,000,000 Domestic Shares	—	67%
Tianda Holding	Ye Shi Qu	Beneficial owner	RMB174,012,800	—	—	—	RMB174,012,800	74.5%	—
Anhui Tianda Investment Company Limited ("Tianda Investment")	Ye Shi Qu	Interests in controlled corporation (Note 2)	RMB50,000,000	—	—	—	RMB50,000,000	100%	—
Tianda Holding	Zhang Hu Ming	Beneficial owner	RMB9,166,700	—	—	—	RMB9,166,700	3.9%	—
Tianda Holding	Xie Yong Yang	Beneficial owner	RMB7,367,250	—	—	—	RMB7,367,250	3.15%	—
Tianda Holding	Zhang Jian Huai	Beneficial owner	RMB35,000	—	—	—	RMB35,000	0.015%	—
Tianda Holding	Liu Jun Chang	Beneficial owner	RMB3,150,000	—	—	—	RMB3,150,000	1.3%	—
Tianda Holding	Yong Jin Gui	Beneficial owner	RMB8,217,500	—	—	—	RMB8,217,500	3.5%	—

REPORT OF THE DIRECTORS

Notes:

1. Pursuant to the SFO, as Ye Shi Qu holds 74.5% of the equity interest in Tianda Holding and as Tianda Investment is a wholly-owned subsidiary of Tianda Holding, Ye Shi Qu is deemed to be interested in all of the 272,000,000 Domestic Shares held by Tianda Holding and 68,000,000 Domestic Shares held by Tianda Investment.

2. Pursuant to the SFO, as Ye Shi Qu holds 74.5% of the equity interest in Tianda Holding and as Tianda Investment is a wholly-owned subsidiary of Tianda Holding, Ye Shi Qu is deemed to be interested in 100% of the registered capital of Tianda Investment.

Other than as disclosed above, none of the Directors, the Supervisors and chief executives of the Company nor their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules as at 31 December, 2006.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

So far as is known to the Directors, Supervisors and chief executives of the Company, as at 31 December 2006, none of the Directors, Supervisors or chief executives of the Company or any of their spouses and children under 18 years of age had any interest in, or has been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company or to acquire H Shares.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraph headed "CONNECTED AND RELATED PARTY TRANSACTIONS" stated in this report and note 26 of the Notes to the financial statements, no contract of significance in relation to the Company's business, to which the Company was a party and in which a Director or a Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

(A) Substantial Shareholders

So far as the Directors or chief executive of the Company are aware, as at 31 December 2006, the following persons had an interest or short position in the shares and underlying shares of the Company which were recorded pursuant to section 336 of the SFO in the register referred to therein:

Name	Capacity	Class of shares	Number of shares	% of total number of the relevant class of shares	% of total number of issued shares
Tianda Holding	Beneficial owner	Domestic shares	272,000,000 (L)	80%	53.6%
	interests in controlled corporation (Note 2)	Domestic shares	68,000,000 (L)	20%	13.4%
Tianda Investment	Beneficial owner	Domestic shares	68,000,000 (L)	20%	13.4%
Ye Shi Qu (Note 3)	Interests in controlled corporation	Domestic shares	340,000,000 (L)	100%	67%
Hillhouse Capital Management, Ltd.	Interests in controlled corporation	H-Shares	23,500,000 (L)	14.0%	4.6%
Northern Trust Fiduciary Services (Ireland) Limited	Trustee	H-Shares	19,686,000 (L)	11.7%	3.9%
GLHH Fund II L.P.	Beneficial owner	H-Shares	16,825,000 (L)	10.0%	3.3%
Credit Agricole Asset Management Hong Kong Limited	Investment manager	H-Shares	8,434,000 (L)	5.0%	1.7%
Credit Agricole Asset Management	Interests in controlled corporation	H-Shares	11,304,000 (L)	6.7%	2.2%
Atlantis Investment Management Limited	Investment manager	H-Shares	19,000,000 (L)	11.3%	3.7%
Baring Asset Management Limited	Investment manager	H-Shares	21,208,000 (L)	12.7%	4.2%
JP Morgan Chase & Co.	Custodian corporation/approved lending agent	H-Shares	11,040,000 (L)	6.6%	2.2%

Notes:

1. "L" refers to the long position in the shares in the Company held by such person/entity.

2. Pursuant to the SFO, as Tianda Investment is a wholly-owned subsidiary of Tianda Holding, Tianda Holding is deemed to be interested in the 68,000,000 Domestic Shares held by Tianda Investment.

3. Pursuant to the SFO, as Ye Shi Qu holds 74.5% of the equity interest in Tianda Holding, and as Tianda Investment is a wholly-owned subsidiary of Tianda Holding, Ye Shi Qu is deemed to be interested in all of the 272,000,000 Domestic Shares held by Tianda Holding and 68,000,000 Domestic Shares held by Tianda Investment.

(B) Other persons who are required to disclose their interests pursuant to Division 2 and 3 of Part XV of the SFO

As at 31 December, 2006, save of the person or entities disclosed in sub-section (A) above, no person or entities (other than a Director, Supervisor or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Save as disclosed above, as at 31 December, 2006, the Directors were not aware of any person (other than the Directors, Supervisors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded on 31 December, 2006 in the register required to be kept by the Company under section 336 of the SFO.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the continuing connected transactions during the year are included in note 26 to the financial statements. A summary of the Company's continuing connected transactions in 2006 are as follows:

Lease agreement with Tianda Holding	As a result of the lease agreement, the Company agreed to lease from Tianda Holding premises with an area of approximately 1,930 sq.m for staff quarters. For the year ended 31 December 2006 the annual rent was approximately RMB96,200. Of this, approximately RMB88,200 was pro rated as attributable to the period ended on 27 November 2006, being the date of issue of the Prospectus. The balance of approximately RMB8,000 was rental expenses for the period commencing after the issue of the Prospectus and ended on 31 December 2006. This annual rental and the pro rated expenses after Listing represented less than 0.1 % under the "five tests" calculated pursuant to Chapter 19 of the GEM Listing Rules. Consequently, they are exempt from further reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

Water supply agreement with Tianda Holding

As a result of purchases pursuant to the water supply agreement, the purchases by the Company for the year ended 31 December 2006 was approximately RMB617,000. Of this, approximately RMB565,000 was attributable to the period ended on 27 November 2006, being the date of issue of the Prospectus. The balance of approximately RMB52,000 was purchased during the period commencing after the issue of the Prospectus and ended on 31 December 2006. These annual purchases and those after Listing were within the estimations in the Prospectus and represented less than 0.1 % under the "five tests" calculated pursuant to Chapter 19 of the GEM Listing Rules. Consequently, they are exempt from further reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

Framework Agreement for Pipe Protection Casing with Anhui Tianda (Group) Co., Ltd. ("Tianda Company Limited")

As a result of purchases pursuant to the framework agreement for pipe protection casing with Tianda Company Limited (being a subsidiary of the controlling shareholder of the Company), the purchases by the Company for the year ended 31 December 2006 was approximately RMB5,136,000. Of this, approximately RMB4,551,000 was attributable to the period ended on 27 November 2006, being the date of issue of the Prospectus. The balance of approximately RMB585,000 was purchased during the period commencing after the issue of the Prospectus and ended on 31 December 2006 and within the amounts estimated in the Prospectus to be so purchased. The Directors had taken the view that the relevant purchases for calculating the applicable ratios under the "five tests" calculated pursuant to Chapter 19 of the GEM Listing Rules only applied to the purchases when the Company became a listed company and was subject to the GEM Listing Rules. On that basis and even though the annual purchases for 2006 were more than 0.1% under the aforesaid "five tests", no announcement was made prior to the clarification in the Company's announcement dated 14 March 2007.

Framework Agreement for the Supply of Packaging Materials with Tianda Plastic Company

As a result of purchases pursuant to the framework agreement for packaging materials with Tianda Plastic Company, the purchases by the Company for the year ended 31 December 2006 was approximately RMB119,000. All of this approximately RMB119,000 was attributable to the period ended on 27 November 2006, being the date of issue of the Prospectus. As there was no other purchases during the period commencing after the issue of the Prospectus and ended on 31 December 2006, the amount was less than the amount of RMB120,000 estimated in the Prospectus and represented less than 0.1 % under the "five tests" calculated pursuant to Chapter 19 of the GEM Listing Rules. Consequently, they are exempt from further reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Framework Agreement for the Sale of Goods to Tianda Holding

As a result of sales pursuant to the framework agreement for the sale of pipes to Tianda Holding, the sales by the Company for the year ended 31 December 2006 was approximately RMB399,000. Of this, approximately RMB347,000 was attributable to the period ended on 27 November 2006, being the date of issue of the Prospectus. The balance of approximately RMB52,000 was sold during the period commencing after the issue of the Prospectus and ended on 31 December 2006. These latter sales were subject to the GEM Listing Rules in connection with the listing of the Company on the Stock Exchange, were less than the amount of RMB1,000,000 estimated in the Prospectus and represented less than 0.1 % under the "five tests" calculated pursuant to Chapter 19 of the GEM Listing Rules. Consequently, they are exempt from further reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

In respect of continuing connected transactions for 2007, the Company is governed by the terms of the lease agreement with Tianda Holding, a water supply agreement with Tianda Holding, a framework agreement for the supply of pipe protection casing with Tianda Company Limited, a framework agreement for the supply of packaging materials with Tianda Plastic Company and a framework agreement for the sales of goods to Tianda Holding, further details of which are set out in the Prospectus.

BOARD PRACTICES AND PROCEDURES

In the opinion of the Directors, the Company has complied with the requirements of board practices and procedures of Rules 5.34 to 5.45 of the GEM Listing Rules since its listing.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rules 5.48 to 5.67 (where applicable) of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the "Code"). All Directors have complied with the required standard as set out in the Code during the Post Listing Period.

DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS

For the year ended 31 December 2006, the Directors are not aware of any business or interest of the Directors, the Supervisors, the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete (directly or indirectly) with the business of the Company and any other conflicts of interests which any such person has or may have with the Company. Each of the Directors have confirmed that for the Post-Listing Period, they are compliant with the non-competition provisions pursuant to their respective service contracts with the Company.

INITIAL MANAGEMENT SHAREHOLDERS' CONFIRMATION

The initial management shareholders ("Initial Management Shareholders") of the Company (being Tianda Holding, Tianda Investment, Mr. Ye Shi Qu, Mr. Zhang Hu Ming, Mr. Xie Yong Yang, Mr. Zhang Jian Huai, Mr. Wang Yi, Mr. Zhang Chun Xiang, Mr. Geng Wei Long, Mr. Lv Si Yu, Ms. Huang Yao Qi and Mr. Chen Dong) have entered into a non-competition agreement (the "Non-competition Agreement") with the Company on 18 November 2006. The Initial Management Shareholders have confirmed to the Directors that for the Post-Listing Period, they are compliant with the provisions in the non-competition agreement. Based on such confirmation, no matters had arisen in the Post Listing Period which required the Company's independent non-executive Directors to review in connection with such Non-competition Agreement. The Initial Management Shareholders further confirmed to the Directors that for the Post-Listing Period, they are compliant with the relevant connected transaction rules in accordance with the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of the PRC, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

REPORT OF THE DIRECTORS

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Somerley Limited, the Company's compliance adviser, as at 31 December, 2006, neither Somerley Limited nor its directors or employees or associates had any interests in the share capital of the Company.

Pursuant to an agreement dated 9 October 2006 entered into between Somerley Limited and the Company, Somerley Limited received and will receive fees for acting as the Company's compliance adviser.

POST BALANCE SHEET EVENTS

Save for the announcements published by the Company dated 16 January 2007 and 14 March 2007 respectively, there was no significant events occurring after 31 December 2006.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not purchased, sold or redeemed any of its listed securities during the year ended 31 December 2006.

AUDITORS

The financial statements prepared under the IFRS have been audited by Ernst & Young and the Company has also appointed Anhui Tianhua Certified Public Accountants (安徽天華會計師事務所) in the PRC to prepare the financial statements for tax purpose. Ernst & Young and Anhui Tianhua CPA Firm will both retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By Order of the Board
Ye ShiQu
Chairman

19 March, 2007

REPORT OF THE SUPERVISORS

In 2006, in accordance with the relevant provisions of the Company Law of the People's Republic of China (the "Company Law") and Articles of Association of the Company, and in compliance with the principle of integrity, all members of the supervisory committee of the Company (the "**Committee**") performed their duties of supervision on the Board's decision making with a view to protecting shareholders' interests in line with the Board's accountability to all shareholders. The Committee monitored the operations and financial position as well as the performance of senior management of the Company for the year 2006. On behalf of the Committee, I hereby present our report for 2006:

1. OVERVIEW OF THE WORK OF THE SUPERVISORY COMMITTEE

The supervisory committee conducted 2 on-site inspections of the operations and financial position of the Company, and reviewed the financial statements. In 2006, the Supervisory Committee held 2 meetings and the holding of such meetings were in compliance with the relevant provisions of the Company Law and the Articles of Association of the Company.

The Supervisory Committee has duly supervised and examined the procedures for convening board meetings, resolutions, execution of resolutions of shareholders' general meetings by the Board, performance of duties by senior management of the Company, as well as the healthy establishment and consistent implementation of the Company's internal management system.

The Committee is of the view that the Board and senior management of the Company operated in accordance with the Company Law, Securities Law of the PRC, the Articles of Association of the Company as well as other relevant rules and regulations of Hong Kong. Through the adoption of various systems, the Company further improved its corporate governance structure and internal management policies which have formed the basic internal control system of the Company. When examining the financial position of the Company and monitoring the performance of Directors and senior management of the Company, the Committee was not aware of any act detrimental to the interests of the Company and shareholders as a whole, nor was there any act in breach of laws, regulations, the Articles of Association or rules and policies of the PRC and Hong Kong.

2. EXAMINATION OF FINANCIAL POSITION OF THE COMPANY

The Committee earnestly examined the financial statements and the annual report of the Company for 2006 issued by the PRC and international auditors of the Company and other relevant information.

The Committee considers that the audited financial statements of the Company truly and sufficiently reflects the operating results and asset positions of the Company. The Committee also reviewed the Director's report and the profit distribution proposal. The Committee considers that the above report and proposal meets the requirements of the relevant regulations and the articles of association of the Company. The Committee has attended the meetings of the board of Directors (the "Board") and considers that the members of the Board and other officers of the Company have strictly complied with the principle of honesty and trustworthiness, worked diligently and sincerely acted in the best interests of the Company. As at the date of this report, the Committee is not aware of the Directors and the officers of the Company having abused their powers, caused damage to the interests of the Company or infringed upon the interests of the Company and its staff, nor have they violated any laws, regulations or the Company's articles of association.

3. USE OF PROCEEDS FROM THE INTERNATIONAL PLACING OF THE COMPANY

On 1 December 2006, the Company issued H Shares to raise funds. In 2006, the Company used the proceeds to fund capital expenditures in line with the details set out in the prospectus of the Company dated 27 November 2006.

4. CONNECTED TRANSACTIONS

The Committee is of the view that the connected transactions of the Company for 2006 were conducted on the principles of fairness and equality at reasonable prices. No act detrimental to shareholders' interests as a whole was found.

Liu Junchang
Chairman of Supervisory Committee
Anhui, China

19 March 2007

AUDITORS' REPORT

To the shareholders of Anhui Tianda Oil Pipe Company Limited
(Incorporated in the People's Republic of China with limited liability)

We have audited the financial statements of Anhui Tianda Oil Pipe Company Limited (the "Company") set out on pages 43 to 84, which comprise the balance sheet as at 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and the true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDITORS' REPORT

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2006, and of the Company's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Hong Kong
19 March 2007

INCOME STATEMENT

For the year ended 31 December 2006

	Notes	2006 RMB'000	2005 RMB'000
Revenue	4	**1,265,314**	906,590
Cost of sales		**(1,013,539)**	(762,409)
Gross profit		**251,775**	144,181
Other income	5	**5,217**	8
Selling and distribution costs		**(41,495)**	(24,249)
Administrative expenses		**(17,682)**	(19,506)
Other expenses	5	**(2,724)**	(279)
Operating profit		**195,091**	100,155
Finance revenue	6	**2,226**	2,290
Finance costs	6	**(6,501)**	(6,163)
Share of loss of an associate	15	**(23)**	(17)
Profit before tax	7	**190,793**	96,265
Income tax expense	9	**(72,302)**	(24,391)
Profit for the year		**118,491**	71,874
Dividends	11		
Dividend		**56,663**	17,041
Proposed final dividend		**25,379**	—
		82,042	17,041
Earnings per share			
basic, for profit for the year	10	**RMB0.34**	RMB0.26

The accompanying notes on pages 48 to 84 form an integral part of the financial statements.

BALANCE SHEET

As at 31 December 2006

	Notes	2006 RMB'000	2005 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**342,052**	230,689
Prepaid land premiums	14	**28,158**	10,852
Investment in an associate	15	**—**	454
Deferred tax asset	9	**—**	38,551
Total non-current assets		**370,210**	280,546
Current assets			
Inventories	16	**201,828**	131,385
Trade and notes receivables	17	**92,591**	22,214
Prepayments, deposits and other receivables	18	**57,513**	138,755
Cash and bank balances	19	**436,429**	12,749
Total current assets		**788,361**	305,103
TOTAL ASSETS		**1,158,571**	585,649
EQUITY AND LIABILITIES			
Equity			
Issued capital	23	**253,785**	170,000
Reserves	24	**558,208**	141,302
Proposed final dividend	11	**25,379**	—
Total equity		**837,372**	311,302
Non-current liabilities			
Interest-bearing loans and borrowings	20	**35,000**	85,000
Current liabilities			
Interest-bearing loans and borrowings	20	**70,000**	25,000
Trade and notes payables	21	**66,910**	45,874
Income tax payable	9	**27,342**	914
Accrued liabilities and other payables	22	**121,947**	117,559
Total current liabilities		**286,199**	189,347
Total liabilities		**321,199**	274,347
TOTAL EQUITY AND LIABILITIES		**1,158,571**	585,649
NET CURRENT ASSETS		**502,162**	115,756
TOTAL ASSETS LESS CURRENT LIABILITIES		**872,372**	396,302

The accompanying notes on pages 48 to 84 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	Attributable to equity holders of the Company							
	Issued capital RMB'000 (Note 23)	**Share premium account** RMB'000 (Note 23)	**Statutory surplus reserve** RMB'000 (Note 24)	**Statutory public welfare fund** RMB'000 (Note 24)	**General surplus reserve** RMB'000 (Note 24)	**Retained earnings** RMB'000 (Note 24)	**Proposed final dividend** RMB'000 (Note 11)	**Total** RMB'000
At 1 January 2005	40,000	—	4,295	2,147	—	80,027	—	126,469
Net profit for the year	—	—	—	—	—	71,874	—	71,874
Capital injection	130,000	—	—	—	—	—	—	130,000
Appropriation of statutory surplus reserve and statutory public welfare fund	—	—	8,974	4,487	—	(13,461)	—	—
2004 final dividend declared	—	—	—	—	—	(17,041)	—	(17,041)
At 31 December 2005	170,000	—	13,269	6,634	—	121,399	—	311,302
Net profit for the year	—	—	—	—	—	118,491	—	118,491
Issue of share capital	83,785	380,457	—	—	—	—	—	464,242
Transfer of statutory public welfare fund	—	—	—	(6,634)	6,634	—	—	—
Appropriation of statutory surplus reserve	—	—	15,606	—	—	(15,606)	—	—
2005 final dividend declared	—	—	—	—	—	(56,663)	—	(56,663)
Proposed 2006 final dividend	—	—	—	—	—	(25,379)	25,379	—
At 31 December 2006	253,785	380,457	28,875	—	6,634	142,242	25,379	837,372

The accompanying notes on pages 48 to 84 form an integral part of the financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2006

	Notes	2006 RMB'000	2005 RMB'000
Operating activities			
Profit before tax		**190,793**	96,265
Adjustments to reconcile profit before tax to net cash flows			
Non-cash:			
Share of loss of an associate	15	**23**	17
Gain from sale of an equity interest in an associate		**(69)**	—
Depreciation and amortisation	7	**22,039**	18,460
Provision for bad and doubtful debts	7	**273**	235
Provision for obsolete inventories	7	**250**	1,800
Interest expense	6	**6,501**	6,163
Interest income	6	**(2,226)**	(2,290)
Operating profit before working capital changes		**217,584**	120,650
Working capital adjustments:			
Increase in inventories		**(70,693)**	(105,278)
Increase in trade and notes receivables		**(70,377)**	(14,353)
(Increase)/decrease in prepayments, deposits and other receivables		**(14,223)**	16,938
Increase in trade and notes payables		**21,036**	21,325
Increase in accrued liabilities and other payables		**8,802**	49,453
Income tax paid		**(7,323)**	(5,155)
Net cash flows from operating activities		**84,806**	83,580

The accompanying notes on pages 48 to 84 form an integral part of the financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2006

	Notes	2006 RMB'000	2005 RMB'000
Net cash flow from operating activities		**84,806**	83,580
Investing activities			
Interest received		**677**	99
Proceeds from sale of an equity interest in an associate	15	**500**	—
Purchases of property, plant and equipment and prepaid land premiums		**(122,141)**	(51,368)
Investment on deposits with an original maturity of over three months		**(350,630)**	—
Funds collected from/(transferred to) Anhui Tianda Enterprise (Group) Company Limited		**18,748**	(49,962)
Net cash flows used in investing activities		**(452,846)**	(101,231)
Financing activities			
Proceeds from interest-bearing loans and borrowings		**20,000**	45,000
Repayment of interest-bearing loans and borrowings		**(25,000)**	(25,000)
Interest paid		**(6,322)**	(6,163)
Dividends paid	11	**(1,621)**	(17,041)
Proceeds from issue of shares		**460,959**	30,000
Transaction costs of issue of shares		**(6,926)**	—
Net cash flows used in financing activities		**441,090**	26,796
Net increase in cash and cash equivalents		**73,050**	9,145
Cash and cash equivalents at 1 January		**12,749**	3,604
Cash and cash equivalents at 31 December		**85,799**	12,749
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**436,429**	12,749
Less: Time deposits with original maturity of over three months when acquired		**(350,630)**	—
		85,799	12,749

The accompanying notes on pages 48 to 84 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Anhui Tianda Oil Pipe Company Limited (formerly known as 安徽天大企業集團特種鋼管有限公司 (Tianda Special Steel Pipe Company), the "Company") was incorporated as a limited liability company by Anhui Tianda Enterprise (Group) Company Limited ("Tianda Holding") in the People's Republic of China (the "PRC"). On 13 April 2006, the Company was re-registered as a joint stock company with limited liability by the issuance of 170,000,000 fully paid Domestic Shares with a nominal value of RMB1.00 each to the then shareholders.

On 1 December 2006, the Company issued 145,714,000 new H shares by way of international placing at a price of HK$3.00 per share and such H shares were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited. On 7 December 2006, the Company issued another 21,856,000 new H shares under arrangement of an over-allotment option, at a price of HK$3.00 per share. Such H shares were listed on the GEM thereafter.

In the opinion of the directors, the holding company of the Company is Tianda Holding. Mr. Ye Shi Qu (葉世渠) held 74.5% equity interest in Tianda Holding as at 31 December 2006, who therefore is the ultimate shareholder of the Company before and after issuance of H shares.

The Company is principally engaged in the design, manufacturing and sale of specialised seamless pipes for the oil and natural gas industry, including oil well pipes (oil transfer pipes and casing pipes) and petrochemical pipes, as well as other specialised seamless pipes for vessels, boilers and other purposes. The registered office and principal place of business of the Company is Zhenxing Road, Tongcheng Town, Tianchang City, Anhui Province, the PRC.

2.1 BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirement of the Hong Kong Companies Ordinance.

2.1 BASIS OF PREPARATION *(Continued)*

Statement of compliance *(Continued)*

The Company maintains its books and prepares its statutory financial statements in accordance with the relevant accounting principles and financial regulations promulgated by the Ministry of Finance of the PRC. The accounting policies and bases adopted in the preparation of the statutory financial statements differ in certain respects from IFRSs. The differences arising from restating the results of operations and financial position to comply with IFRSs have been adjusted in these financial statements, but will not be taken up in the accounting records of the Company.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretation during the year.

IAS 21	Amendment-The Effects of Changes in Foreign Exchange Rates
IAS 39	Amendment-Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an Arrangement Contains a Lease

Adoption of these revised standards and interpretations did not have any significant effect on the financial statements of the Company.

2.3 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives and residual values of property, plant and equipment

The Company's directors determine the estimated useful lives and residual values and consequently related depreciation charges. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Directors will increase the depreciation charge where useful lives and residual values are less than previously estimated, or they will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

NOTES TO THE FINANCIAL STATEMENTS

2.3 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

Estimates and assumptions *(Continued)*

Estimated impairment of receivables

The Company records impairment of receivables based on an assessment of the recoverability of trade receivables and prepayments, deposits and other receivables. The identification of doubtful debts requires the directors' estimates. Where the expectation is different from the original estimate, such difference will impact the carrying values of the trade receivables and prepayments, deposits and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

Estimated write-downs of inventories to net realisable value

The Company writes down inventories to net realisable value based on an assessment of the realisability of inventories. The assessment of write-downs requires the directors' judgement and estimate. Where the expectation is different from the original estimate, such difference will impact the carrying values of inventories and write-downs of inventories in the period in which such estimate has been changed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Company has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Company's share of the post-acquisition results and reserves of an associate is included in the income statement and reserves, respectively. The Company's investment in an associate is stated in the balance sheet at the Company's share of net assets under the equity method of accounting, less any impairment losses.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation of a heater kiln included in plant and machinery with a gross cost of RMB19,600,000 is calculated on a double-declining-balance basis by reference to its expected physical wear and tear in an overloaded operation. Depreciation of the remaining property, plant and equipment is calculated on the straight-line basis to write-off the cost of each item of property, plant and equipment over the expected useful life of the asset, after taking into account its estimated residual value, as follows:

Buildings	35 years
Plant and machinery	10 years
Motor vehicles	10 years
Office equipment and other equipment	5 to 10 years

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected to arise from its use or disposal. Any gain or loss arising on derecognition of the item (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

Construction in progress

Construction in progress represents property, plant and machinery during the course of acquisition and/or under construction and is stated at cost less any impairment losses. The acquisition period of an asset includes the period when the asset is under construction, installation and testing. Cost comprises direct costs of acquisition or construction, installation and testing as well as capitalised interest costs on related borrowings during the period of construction, installation and testing.

Construction in progress is transferred to the appropriate category of property, plant and equipment when it is completed and ready for its intended use. No depreciation is provided on construction in progress until the asset is completed and is ready for its intended use.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Company as a lessee

Operating lease payments are recognised as an expense in the income statement on the straight-line basis over the lease term.

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms of 50 years.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use. Investment income earned at the temporary investment of specific borrowings pending their expenditures on qualifying asset is deducted from the borrowing costs capitalised.

Other borrowing costs are recognised as expenses when incurred.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during the development.

During the period of development, the asset is tested for impairment annually. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future sales. During the period of which the asset is not yet in use, it is tested for impairment annually.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case recoverable amount is determined for the cash-generating unit to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indications. An impairment loss is charged to the income statement in the period in which it arises.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss of an assets other than goodwill is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement in the period when it arises. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The costs of raw materials, low value consumables and merchandise comprise the purchasing costs of the materials and merchandises and other costs incurred in bringing the materials and merchandises to their present locations and conditions. The costs of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Trade and other receivables

Trade receivables, which generally have credit terms ranging from 1 to 45 days are recognised and carried at original invoice amounts less allowances for any uncollectible amounts, which is considered as the fair value of the consideration to be received.

A provision is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

Prepayments, deposits and other receivables are recognised and carried at cost less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at cost.

Trade and other payables

Liabilities for trade and other payables are carried at cost which is considered as the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

Amounts due to related parties are recognised and carried at cost.

Provisions

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

When the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest-bearing loans and borrowings *(Continued)*

Gains and losses are recognised in the income statement when liabilities are derecognised, as well as through the amortisation process.

Dividends

Dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currency translation

The financial statements are presented in RMB, which is the Company's functional and presentation currency.

Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Retirement benefits

Obligatory retirement benefits in the form of contributions under a defined contribution retirement scheme administered by local government agencies are charged to the income statement as incurred.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of general within three months when acquired.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets and liabilities

Financial assets

Financial assets consist of trade and notes receivables as well as prepayments, deposits and other receivables. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

Financial liabilities consist of trade and notes payables, income tax payable as well as accrued liabilities and other payables. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets and liabilities *(Continued)*

Financial liabilities (Continued)

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Taxes

Income tax comprise current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current income tax

Current income tax assets and liabilities for the current year and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxes *(Continued)*

Deferred income tax (Continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow all or par of the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The following specific recognition criteria must also be met before the revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, provided that the Company maintains neither managerial involvement to the degree usually associate with ownership, nor effective control over the goods sold.

Interest income

Revenue is recognised as interest accrues using the effective interest method by applying the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is set up as deferred income and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Related parties

A party is considered to be related to the Company if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Company; (ii) has an interest in the Company that gives it significant influence over the Company; or (iii) has joint control over the Company;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Company or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

NOTES TO THE FINANCIAL STATEMENTS

2.5 FUTURE CHANGES IN ACCOUNTING POLICIES

The Company has not applied the following new and revised IFRSs and IFRIC Interpretations that have been issued but are not yet effective, in the financial statements unless otherwise stated. These IFRSs and IFRICs are effective for annual periods beginning on or after 1 January 2007.

IAS 1	Amendment — Presentation of Financial Statements — Capital Disclosure
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	IFRS2 — Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements

The directors of the Company expect that the adoption of the pronouncements listed above will not have any significant impact on the Company's financial statements or are not relevant to the activities of the Company in the period of initial application.

3. SEGMENT INFORMATION

The primary format for reporting the segment information is by business segments, with each segment representing a product line. The business segments are organised as follows:

- Manufacturing of seamless steel pipes
- Sourcing and distribution of seamless steel pipes

There are no intersegment sales. No further geographical segment information is presented as over 90% of the Company's revenue for the year ended 31 December 2006 is derived from customers based in the mainland China.

Certain assets and all liabilities can not be directly attributable to individual segments and it is impractical to allocate them to the segments.

3. SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2006

	Manufacturing of seamless steel pipes RMB'000	Sourcing and distribution of seamless steel pipes RMB'000	Total RMB'000
Revenue	1,015,267	250,047	1,265,314
Results			
Segment gross profit	221,954	29,821	251,775
Unallocated other income			5,217
Unallocated expenses			(61,901)
Net finance costs			(4,275)
Share of loss of an associate			(23)
Profit before tax			190,793
Income tax expense			(72,302)
Net profit for the year			118,491
As at 31 December 2006			
Assets			
Segment assets	548,526	23,512	572,038
Investment in an associate			—
Unallocated assets			586,533
Total assets			1,158,571
Liabilities			
Segment liabilities			—
Unallocated liabilities			321,199
Total liabilities			321,199
Other segment information			
Capital expenditure	150,708	—	150,708
Depreciation and amortisation	22,039	—	22,039
Impairment of assets recognised	523	—	523

3. SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2005

	Manufacturing of seamless steel pipes RMB'000	Sourcing and distribution of seamless steel pipes RMB'000	Total RMB'000
Revenue	675,517	231,073	906,590
Results			
Segment gross profit	120,234	23,947	144,181
Unallocated other income			8
Unallocated expenses			(44,034)
Net finance costs			(3,873)
Share of loss of an associate			(17)
Profit before tax			96,265
Income tax expense			(24,391)
Net profit for the year			71,874
As at 31 December 2005			
Assets			
Segment assets	362,417	10,509	372,926
Investment in an associate			454
Unallocated assets			212,269
Total assets			585,649
Liabilities			
Segment liabilities			—
Unallocated liabilities			274,347
Total liabilities			274,347
Other segment information			
Capital expenditure	42,826	—	42,826
Depreciation and amortisation	18,460	—	18,460
Impairment of assets recognised	2,035	—	2,035

4. REVENUE

Revenue represents the net invoiced value of goods sold, net of value-added tax, after allowances for returns, trade discounts and various types of government surcharges where applicable.

	2006	2005
	RMB'000	RMB'000
Sales of goods	**1,268,625**	907,519
Less: Government surcharges	**(3,311)**	(929)
Revenue	**1,265,314**	906,590

5. OTHER INCOME AND EXPENSES

	2006	2005
	RMB'000	RMB'000
Other income		
Government grants	**4,943**	8
Other income	**274**	—
	5,217	8

Government grants have been received from the local government authorities for the refund of paid value-added tax. There are no unfulfilled conditions of contingencies attaching to these grants.

	2006	2005
	RMB'000	RMB'000
Other expenses		
Foreign exchange losses	**2,373**	151
Bank charges	**351**	128
	2,724	279

6. FINANCE REVENUE AND COSTS

	2006 RMB'000	2005 RMB'000
Finance revenue		
Bank interest income	**677**	99
Interest on a balance due from Tianda Holding	**1,549**	2,191
	2,226	2,290
Finance costs		
Bank loan interest	**6,456**	6,163
Interest arising from bill discounting	**45**	—
	6,501	6,163

7. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging:

	Notes	2006 RMB'000	2005 RMB'000
Costs of sales		**1,013,539**	762,409
Depreciation	13	**21,499**	18,221
Amortisation of prepaid land premiums	14	**540**	239
Provision for bad and doubtful debts		**273**	235
Provision for obsolete inventories		**250**	1,800
Research and development costs		**2,736**	526
Auditors' remuneration		**725**	2
Staff costs (including directors', supervisors' and senior executives' remuneration as set out in Note 8):			
— salaries and other staff costs		**19,637**	10,579
— retirement costs — defined contribution plan		**2,315**	1,077

8. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' REMUNERATION

Details of the remuneration of directors and supervisors during the year are as follows:

	2006 RMB'000	2005 RMB'000
Fees	—	—
Other emoluments		
Salaries, allowances, bonuses and other benefits	340	—
Pension scheme contributions	9	—
	349	—

An analysis of directors' and supervisors' remuneration by each individual is as follows:

	2006 RMB'000	2005 RMB'000
Directors:		
Ye Shi Qu	116	—
Zhang Hu Ming	101	—
Zhang Jian Huai	—	—
Xie Yong Yang	70	—
Liu Peng	—	—
	287	—
Supervisors:		
Yong Jin Gui	15	—
Yang Quan Fu	15	—
Liu Jun Chang	34	—
	64	—

8. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' REMUNERATION *(Continued)*

The numbers of directors and supervisors and non-director and non-supervisor employees included in the five highest paid employees during the year are as follows:

	2006	2005
Directors and supervisors	**4**	—
Non-director and non-supervisor employees	**1**	5
	5	5

The details of the remuneration of the remaining non-director, non-supervisor highest paid employees during the year are as follows:

	2006 **RMB'000**	2005 RMB'000
Salaries, allowances, bonuses and other benefits	**203**	120
Pension scheme contributions	**2**	6
	205	126

9. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company had no assessable profits arising in Hong Kong for the year ended 31 December 2006.

The Company was subject to income tax at the rate of 33% on its taxable income according to the PRC Enterprise Income Tax Law.

The major components of income tax expense for the years ended 31 December 2006 and 2005 are as follows:

	2006 **RMB'000**	2005 RMB'000
Current income tax charge	**33,751**	5,146
Deferred income tax relating to origination and reversal of temporary differences	**38,551**	19,245
Income tax expense reported in the income statement	**72,302**	24,391

9. INCOME TAX *(Continued)*

A reconciliation of the income tax expense applicable to profit before tax using the statutory income tax rate for the country in which the Company is domiciled to the income tax expense at the effective tax rate is as follows:

	2006 **RMB'000**	2005 RMB'000
Accounting profit before income tax	**190,793**	96,265
Tax at an applicable tax rate of 33%	**62,962**	31,767
Investment tax credits in respect of purchases of domestically-produced property, plant and equipment	**—**	(8,900)
Adjustment of investment tax credits	**7,262**	—
Tax effect of expense items which are not deductible for income tax purposes	**2,078**	1,524
Income tax expense reported in the income statement	**72,302**	24,391
Effective tax rate	**37.90%**	25.34%

The movements in income tax payable during the year are as follows:

	2006 **RMB'000**	2005 RMB'000
At beginning of year	**914**	923
Provision for the year	**33,751**	5,146
Payment during the year	**(7,323)**	(5,155)
At end of year	**27,342**	914

9. INCOME TAX *(Continued)*

The movements in deferred income tax assets arising from the investment tax credits during the year are as follows:

	2006	2005
	RMB'000	RMB'000
At beginning of year	**38,551**	57,796
Deferred tax charged to the income statement during the year	**(38,551)**	(19,245)
At end of year	**—**	38,551

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the year attributable to the equity holders of the Company and the weighted average number of shares (including Domestic Shares and H Shares) outstanding during the year. The weighted average number of shares for the year ended 31 December 2006 is 353,513,000 (2005:273,590,000), which is calculated as if the subdivision of the Company's Domestic Shares from one share of nominal value of RMB1.00 into two Domestic Shares of RMB0.50 each had been in issue throughout 2005 and 2006.

Basic and diluted earnings per share amounts for the years ended 31 December 2006 and 2005 are the same as there were no diluting events during these two years.

11. DIVIDENDS

	2006 RMB'000	2005 RMB'000
Dividend — RMB20 cents (2005: RMB6 cents) per ordinary share	**56,663**	17,041
Proposed final dividend — RMB5 cents (2005: Nil) per ordinary share	**25,379**	—
	82,042	17,041

Pursuant to a resolution of an extraordinary shareholders' meeting on 20 March 2006, the Company's shareholders approved the proposed final dividend for the year ended 31 December 2005 of RMB56,663,000 in aggregate to the then shareholders. Of the RMB56,663,000, RMB1,621,000 was paid in cash to Tianda Trade Union and the balance to Tianda Holding by way of setting off against the funds due from Tianda Holding in March 2006.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. RETIREMENT BENEFITS

As stipulated by the PRC state regulations, the Company participates in a defined contribution retirement scheme. All formal employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of their last employment at their retirement date. The Company is required to make contributions to the local social security bureau at a rate of 20% of the average basic salaries where the employees to whom the defined contributions retirement plan is applicable are under the employment of the Company. The Company has no obligations for the payment of pension benefits beyond the annual contributions to the local social security bureau as set out above.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Office equipment and other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
As at 1 January 2005	58,970	145,397	93	5,362	3,540	213,362
Additions	—	7,890	—	4,706	30,230	42,826
Transferred from construction in progress	15,045	14,448	—	—	(29,493)	—
As at 31 December 2005 and 1 January 2006	74,015	167,735	93	10,068	4,277	256,188
Additions	22,857	5,287	—	310	104,408	132,862
Transferred from construction in progress	720	13,391	8	1,194	(15,313)	—
As at 31 December 2006	97,592	186,413	101	11,572	93,372	389,050
Accumulated depreciation:						
As at 1 January 2005	1,747	3,305	—	2,226	—	7,278
Charge for the year	1,623	16,047	9	542	—	18,221
As at 31 December 2005 and 1 January 2006	3,370	19,352	9	2,768	—	25,499
Charge for the year	2,472	17,954	9	1,064	—	21,499
As at 31 December 2006	5,842	37,306	18	3,832	—	46,998
Net book value:						
As at 31 December 2006	91,750	149,107	83	7,740	93,372	342,052
As at 31 December 2005	70,645	148,383	84	7,300	4,277	230,689

All buildings of the Company are located in the mainland China.

14. PREPAID LAND PREMIUMS

	2006 RMB'000	2005 RMB'000
Cost:		
At beginning of year	**11,320**	11,320
Additions	**17,846**	—
At end of year	**29,166**	11,320
Accumulated amortisation:		
At beginning of year	**468**	229
Charge for the year	**540**	239
At end of year	**1,008**	468
Net book value at end of year	**28,158**	10,852

15. INVESTMENT IN AN ASSOCIATE

	2006 RMB'000	2005 RMB'000
Share of the associate's balance sheet:		
Current assets	**—**	840
Current liabilities	**—**	(386)
Net assets	**—**	454
Disposal of an associate	**500**	—
Carrying amount of the investment	**—**	454
Share of the associate's revenue and loss:		
Revenue	**1,269**	5,354
Loss	**(23)**	(17)

15. INVESTMENT IN AN ASSOCIATE *(Continued)*

Particulars of the associate, which is a limited liability company established in the PRC on 18 September 2003 are as follows:

Company name	**Percentage of equity attributable to the Company**	**Principal activities**
Anhui Tianda Import and Export Co., Ltd. ("Tianda Import and Export")	25%	Import and export trading

Pursuant to the equity transfer agreement between Anhui Tianda Group Plastic Compound Products Company Limited ("Tianda Plastic Company") and the Company in March 2006, the Company disposed of its equity interest in Tianda Import and Export in its entirety to Tianda Plastic Company for a consideration of RMB500,000. On 4 April 2006, Tianda Plastic Company settled the consideration in full to the Company.

16. INVENTORIES

	2006 RMB'000	2005 RMB'000
Raw materials, at cost	**114,060**	85,071
Work in progress, at cost	**12,134**	2,223
Finished goods and merchandises	**77,684**	45,891
	203,878	133,185
Less: Provision for obsolete inventories	**(2,050)**	(1,800)
	201,828	131,385

Included in inventories as at 31 December 2006 were certain finished goods carried at a net realisable value of RMB610,000 (2005: RMB860,000).

17. TRADE AND NOTES RECEIVABLES

	2006 RMB'000	2005 RMB'000
Notes receivable	**45,729**	12,260
Trade receivables — third parties	**47,097**	10,207
Receivable from an associate	**—**	817
	92,826	23,284
Less: Provision for bad and doubtful debts	**(235)**	(1,070)
	92,591	22,214

Pursuant to the tax bureau's approval, the Company wrote off uncollectible trade receivables of RMB835,000 during the year (2005: Nil).

An ageing analysis of the trade and notes receivables on the balance sheet dates, based on the invoice date, is as follows:

	2006 RMB'000	2005 RMB'000
Outstanding balances with ages:		
Within one year	**92,569**	22,429
Between one and two years	**257**	18
Between two and three years	**—**	39
Over three years	**—**	798
	92,826	23,284
Less: Provision for bad and doubtful debts	**(235)**	(1,070)
	92,591	22,214

The balances of trade and notes receivables are unsecured, interest-free and are generally on 1-45 days' terms.

NOTES TO THE FINANCIAL STATEMENTS

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2006 RMB'000	2005 RMB'000
Prepayments	**38,166**	29,211
Other receivables	**19,620**	751
Receivable from Tianda Holding	**—**	108,793
	57,786	138,755
Less: Provision for prepayments	**(273)**	—
	57,513	138,755

As at 31 December 2005, the balance due from Tianda Holding was unsecured, had no fixed terms of repayment and bore interest at a rate of 6.14% per annum.

All balances, except for the receivable from Tianda Holding, are unsecured, interest-free and have no fixed terms of repayment.

19. CASH AND BANK BALANCES

	2006 RMB'000	2005 RMB'000
Cash at banks and on hand	**10,575**	12,749
Short-term deposits with maturity of three months or less	**75,224**	—
Short-term deposits with maturity of over three months	**350,630**	—
	436,429	12,749

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between seven days and six months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

20. INTEREST-BEARING LOANS AND BORROWINGS

	2006 RMB'000	2005 RMB'000
Bank loans:		
Unsecured	**105,000**	—
Secured	**—**	110,000
	105,000	110,000
Repayable:		
Within one year	**70,000**	25,000
In the second year	**35,000**	50,000
In the third to fifth years, inclusive	**—**	35,000
	105,000	110,000
Portion classified as current liabilities	**(70,000)**	(25,000)
Long term portion	**35,000**	85,000

Bank loans bear interest at commercial rates ranging from 5.58% to 6.12% per annum.

As of 31 December 2005, the bank loans of the Company of RMB110,000,000 were guaranteed by Tianda Holding. These bank guarantees were released in December 2006 and all the bank loans were unsecured thereafter.

21. TRADE AND NOTES PAYABLES

	2006 RMB'000	2005 RMB'000
Notes payables	**20,746**	—
Trade payables — third parties	**41,846**	45,874
Amount due to Tianda Holding	**419**	—
Amount due to other related parties	**3,899**	—
	66,910	45,874

21. TRADE AND NOTES PAYABLES *(Continued)*

All notes payable balances are unsecured, interest-free and are payable in six months.

The amount due to Tianda Holding and other related parties are unsecured, interest-free and have no fixed terms of repayment. All remaining trade payable balances are unsecured, interest-free and are generally on a term of 30 days.

An ageing analysis of the trade and notes payables on the balance sheet dates, based on the invoice date, is as follows:

	2006	2005
	RMB'000	RMB'000
Outstanding balances with ages:		
Within one year	**66,290**	45,707
Between one and two years	**453**	51
Between two and three years	**51**	3
Over three years	**116**	113
	66,910	45,874

22. ACCRUED LIABILITIES AND OTHER PAYABLES

	2006	2005
	RMB'000	RMB'000
Advances from customers	**51,135**	66,071
Payroll payables	**6,670**	2,529
Welfare payables	**5,352**	3,467
Other payables	**58,625**	44,690
Payable to Tianda Holding	**165**	—
Payable to another related party	**—**	802
	121,947	117,559

Included in the other payables as at 31 December 2006 was an amount of RMB5,500,000 received from the local government for the construction of an aqueduct for the local government. Except for the value-added tax and other miscellaneous tax payable including in other payables account, all the remaining balances of accrued liabilities and other payables are unsecured, interest-free and have no fixed terms of repayment.

23. ISSUED CAPITAL

	2006 RMB'000	2005 RMB'000
Shares		
Registered, issued and fully paid:		
Domestic shares of RMB0.50 each, currently not listed	**170,000**	170,000
H shares of RMB0.50 each	**83,785**	—
Total	**253,785**	170,000

The Company was re-registered as a joint stock company on 13 April 2006 by the issuance of 170,000,000 fully paid Domestic Shares with a nominal value of RMB1.00 each to the then shareholders.

On 7 September 2006, the China Securities Regulatory Commission (the "CSRC") approved the Company's subdivision of one Domestic Share of a nominal value of RMB1.00 into two Domestic Shares of RMB0.50 each.

Pursuant of the approval document by the CSRC, Zheng Jian Guo He Zi [2006] No.17, the Company was authorised to issue new H shares. On 1 December 2006, 145,714,000 H shares with a nominal value of RMB0.50 each were issued to the public by way of international offering at a price of HK$3.00 (equivalent to approximately RMB3.02145) per share. On 7 December 2006, 21,856,000 H shares under over-allotment option arrangement with a nominal value of RMB0.50 each were issued at a price of HK$3.00 (equivalent to approximately RMB3.02037) per share. The net proceeds from the above share offer, after deducting the related underwriting and other expenses, were RMB464,242,000.

23. ISSUED CAPITAL *(Continued)*

A summary of the transactions during the year with reference to the above movements in the Company's issued capital is as follows:

	Numbers of shares in issue '000	Issued share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2005	80,000	40,000	—	40,000
Capital injection on 28 January 2005	200,000	100,000	—	100,000
Capital injection on 11 November 2005	60,000	30,000	—	30,000
At 31 December 2005 and 1 January 2006	340,000	170,000	—	170,000
H share issue on 1 December 2006	145,714	72,857	367,411	440,268
H share issue on 7 December 2006	21,856	10,928	55,085	66,013
	507,570	253,785	422,496	676,281
Deduct: Share issue expenses	—	—	(42,039)	(42,039)
At 31 December 2006	507,570	253,785	380,457	634,242

24. RESERVES

Statutory surplus reserve

In accordance with the Company Law of the PRC and the articles of association of the Company, the Company is required to allocate 10% of its profit after tax, as determined in accordance with the Accounting Standards for Business Enterprises, the Accounting System for Business Enterprises and other related regulations issued by the Ministry of Finance of the People's Republic of China ("PRC GAAP") applicable to the Company, to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of the registered capital of the Company. Subject to certain restrictions set out in the Company Law of the PRC, part of the SSR may be converted to increase paid-up capital of the Company, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

24. RESERVES *(Continued)*

Statutory public welfare fund

In accordance with the Company Law of the PRC and the articles of association of the Company, the Company was required to transfer 5% of its profit after tax, as determined in accordance with PRC GAAP applicable to the Company, to the statutory public welfare fund (the "PWF") which was a non-distributable reserve other than in the event of liquidation of the Company. The PWF must be used for capital expenditure on staff welfare facilities and these facilities remain the properties of the Company.

When the PWF was utilised, an amount equal to the lower of the cost of the assets and the balance of the PWF was transferred from the PWF to the general surplus reserve ("GSR"). The GSR was non-distributable other than in liquidation. On disposal of the relevant assets, the original transfers from the PWF were reversed.

According to the revised Company Law of the PRC effective 1 January 2006, the Company is not required to make appropriation from its profit after tax to the PWF. All unutilised PWF as of 1 January 2006 was converted to GSR.

Distributable reserves

For dividend purposes, the amount which the Company can legally distribute by the way of dividend is based on the lesser amount of the retained earnings determined in accordance with PRC GAAP and those under IFRSs.

In accordance with the Company Law of the PRC, profit after tax can be distributed as dividends after the transfers to the SSR and PWF as set out above.

25. FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise interest-bearing loans, trade and notes payables. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various financial assets such as trade and notes receivables as well as prepayments, deposits and other receivables, which arise directly from its operations. The particular recognition methods adopted are disclosed in the accounting policy statements associated with each item.

It is, and has been, during 2005 and 2006, the Company's policy that no trading in financial instruments should be undertaken.

25. FINANCIAL INSTRUMENTS *(Continued)*

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk and credit risk. The Company does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board reviews and agrees policies for managing each of the risks which are summarised below:

Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to its interest-bearing loans and borrowings. The Company does not use derivative financial instruments to hedge its interest rate risk. Since the Company's bank loans all bear fixed interest and are due within two years, its exposure to risk of changes in market interest rates is low.

Foreign currency risk

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency in the PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions. Payments for imported materials or services and remittance of earnings outside of the PRC are subject to the availability of foreign currencies which depends on the foreign currency denominated earnings of the enterprises, or must be arranged through the People's Bank of China or other authorised financial institutions. Approval for exchanges at the People's Bank of China or other authorised financial institutions is granted to enterprises in the PRC for valid reasons such as purchases of imported materials and remittance of earnings. While conversion of RMB to Hong Kong dollars or other foreign currencies can generally be effected at the People's Bank of China or other authorised financial institutions, there is no guarantee that it can be effected at all times.

Credit risk

It is the Company's policy that all customers are required to pay advances before products are delivered. A credit term of 1 to 45 days is granted to customers with a shortfall between advances received and invoiced amounts, subject to the credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, and therefore, the Company's exposure to bad debts is not significant. The Company has no exposure to significant concentration of credit risk.

With respect to the credit risk arising from cash and short-term deposits, substantial amounts of the cash and bank balances are deposited with China Construction Bank, Bank of China, Industrial and Commercial Bank of China and Agricultural Bank of China.

Since the Company trades only with recognised third parties, there is no requirement for collateral.

25. FINANCIAL INSTRUMENTS *(Continued)*

Fair values

The fair values of the Company's financial instruments are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the financial assets and liabilities of the Company at the balance sheet dates approximated to their fair values.

26. RELATED PARTY TRANSACTIONS

During the year, the Company had the following material transactions with related parties:

	2006	2005
	RMB'000	RMB'000
Purchases of property, plant and equipment and prepaid land premiums from		
Tianda Holding (note a)	**36,552**	—
related parties (note b)	**7**	30
	36,559	30
Disposal of an associate to a related party (note c)	**500**	—
Management fees paid/payable to Tianda Holding (note d)	**—**	9,075
Interest income received/receivable from Tianda Holding (note e)	**1,549**	2,191
Guarantees for the bank loans provided to a related party (note f)	**—**	40,000
Guarantees for the bank loans provided by Tianda Holding (note g)	**—**	110,000

26. RELATED PARTY TRANSACTIONS *(Continued)*

	2006	2005
	RMB'000	RMB'000
Sales of goods to		
Tianda Holding (note b)	**284**	—
an associate (note b)	**—**	698
related parties (note b)	**115**	614
	399	1,312
Purchases of water from Tianda Holding (note h)	**617**	838
Purchases of goods from related parties (note i)	**5,255**	33
Lease of staff quarters from Tianda Holding (note j)	**96**	—

Notes:

(a) Pursuant to an agreement entered into between Tianda Holding and the Company, the Company acquired certain property, plant and equipment as well as a piece of land from Tianda Holding in June 2006 for a consideration of RMB36,552,000.

(b) These transactions were carried out based on costs incurred, as agreed between the Company and Tianda Holding as well as the related parties. The transactions incurred during the period ended 27 November 2006 (the Company's International Placing Prospectus Date) amounted to RMB354,000, the transactions during the period from 28 November 2006 to 31 December 2006 amounted to RMB52,000.

(c) Pursuant to the equity transfer agreement between Tianda Plastic Company and the Company in March 2006, the Company disposed of its equity interest in Tianda Import and Export in its entirety to Tianda Plastic Company for a consideration of RMB500,000 that was equal to the Company's initial investment. On 4 April 2006, Tianda Plastic Company settled the consideration in full to the Company. Tianda Plastic Company is a subsidiary of Tianda Holding, the controlling shareholder of the Company.

(d) Pursuant to an agreement entered into between Tianda Holding and the Company, the Company was required to pay management fees to Tianda Holding which are calculated based on the rate of 1% of the total sales for the year ended 31 December 2005. The management fees covered services from Tianda Holding including public relations work with the government, arranging legal, tax, commerce and financing activities, feasibility study and the management of major investments, employee administration, remunerating directors, as well as providing road and other facilities, etc. With effect from 1 January 2006, no such management fees need to be paid as agreed between Tianda Holding and the Company.

26. RELATED PARTY TRANSACTIONS *(Continued)*

(e) During the six months ended 30 June 2006, there were fund transfers between the Company and Tianda Holding and the maximum balance receivable from Tianda Holding amounted to RMB100,559,000. The fund transfers were unsecured, had no fixed terms of repayments, and bore interest at a rate of approximately 6.14% per annum. No such fund transfer has been made after June 2006.

(f) As at 31 December 2005, the Company, together with Tianda Holding, provided corporate guarantees in connection with bank borrowings to 安徽天大(集團)股份有限公司(Tianda Company Limited), a fellow subsidiary of the Company. The bank loans were repaid before their maturity dates on 7 July 2006 and the guarantees were terminated accordingly.

(g) As at 31 December 2005, Tianda Holding provided corporate guarantees of RMB110,000,000 in connection with the bank loans of the Company and released the related guarantees during this year as disclosed in Note 20.

(h) The purchases were conducted based on mutually agreed terms with reference to market price. The purchase incurred during the period ended 27 November 2006 (the Company's International Placing Prospectus Date) amounted to RMB565,000, the purchase during the period from 28 November 2006 to 31 December 2006 amounted to RMB52,000.

(i) These purchases were carried out based on costs incurred plus margin of 5 - 10%, as agreed between the Company and Tianda Holding as well as the related parties. The purchases incurred during the period ended 27 November 2006 (the Company's International Placing Prospectus Date) amounted to RMB4,670,000, the transactions during the period from 28 November 2006 to 31 December 2006 amounted to RMB585,000.

(j) Pursuant to the staff quarter lease agreement entered with Tianda Holding, the Company paid an annual rent of RMB96,000.

(k) During the six months ended 30 June 2006, Tianda Holding endorsed bank accepted drafts to the Company that were subsequently endorsed to suppliers by the Company. No such endorsement was made after June 2006. As at 31 December 2006, there was no undue bank accepted draft endorsed by Tianda Holding to the Company (31 December 2005: RMB80,185,000).

27. SIGNIFICANT NON-CASH TRANSACTIONS

In June 2006, a receivable of RMB91,594,000 due from Tianda Holding was directly offset with:

— a dividend payable of RMB55,042,000; and

— a payable of RMB36,552,000 which arose from the Company's purchase of property, plant and equipment and a piece of land from Tianda Holding in June 2006, as disclosed in Note 26 (a).

NOTES TO THE FINANCIAL STATEMENTS

28. CAPITAL COMMITMENTS

	2006 RMB'000	2005 RMB'000
Contracted, but not provided for	**25,337**	3,534

29. CONTINGENT LIABILITIES

At the balance sheet date, the Company had the following contingent liabilities:

	2006 RMB'000	2005 RMB'000
Guarantees given in connection with bank loans to a related party	**—**	40,000
Bank accepted drafts endorsed with recourse	**131,168**	187,189

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 March 2007.