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)

Interim Report 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investment in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the main board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination of GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM Website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This 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 GEM (the "**GEM Listing Rules**") 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 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 report misleading; and (iii) all opinions expressed in this report 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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I. AUDITORS' REPORT

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT
To the shareholders of Anhui Tianda Oil Pipe Company Limited
(a joint stock company 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 4 to 35, which comprise the balance sheet as at 30 June 2007 and the income statement, statement of changes in equity and cash flow statement for the six-month period 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' judgement, 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.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 30 June 2007, and of the Company's profit and cash flows for the six-month period 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

7 August 2007

II. AUDITED FINANCIAL STATEMENTS

Income Statement

For the six months ended 30 June 2007

	Note	Six months ended 30 June 2007 RMB'000	2006 RMB'000
Revenue	4	**728,561**	596,129
Cost of sales		**(584,960)**	(487,883)
Gross profit		**143,601**	108,246
Other income	5	**5,678**	523
Selling and distribution costs		**(24,216)**	(19,440)
Administrative expenses		**(17,284)**	(6,370)
Other expenses	5	**(195)**	(154)
Operating profit		**107,584**	82,805
Finance revenue	6	**7,323**	1,588
Finance costs	6	**(11,025)**	(3,308)
Share of loss of an associate	15	**—**	(23)
Profit before tax	7	**103,882**	81,062
Income tax expense	9	**(33,332)**	(27,640)
Profit for the period		**70,550**	53,422
Dividends	11	**25,379**	56,663
Earnings per share			
basic, for profit for the period	10	**RMB0.14**	RMB0.16

The accompanying notes on pages 9 to 35 form an integral part of the financial statements.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Balance Sheet

As at 30 June 2007

	Note	**30 June 2007 RMB'000**	31 December 2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**378,260**	342,052
Prepaid land premiums	14	**30,256**	28,158
Total non-current assets		**408,516**	370,210
Current assets			
Inventories	16	**209,471**	201,828
Trade and notes receivables	17	**93,052**	92,591
Prepayments, deposits and other receivables	18	**95,930**	57,513
Cash and bank balances	19	**353,232**	436,429
Total current assets		**751,685**	788,361
TOTAL ASSETS		**1,160,201**	1,158,571
EQUITY AND LIABILITIES			
Equity			
Issued capital	23	**253,785**	253,785
Reserves	24	**628,758**	558,208
Proposed final dividend	11	**—**	25,379
Total equity		**882,543**	837,372
Non-current liabilities			
Interest-bearing loans and borrowings	20	**—**	35,000
Current liabilities			
Interest-bearing loans and borrowings	20	**30,000**	70,000
Trade and notes payables	21	**58,354**	66,910
Income tax payable	9	**42,792**	27,342
Accrued liabilities and other payables	22	**146,512**	121,947
Total current liabilities		**277,658**	286,199
Total liabilities		**277,658**	321,199
TOTAL EQUITY AND LIABILITIES		**1,160,201**	1,158,571
NET CURRENT ASSETS		**474,027**	502,162
TOTAL ASSETS LESS CURRENT LIABILITIES		**882,543**	872,372

Ye Shi Qu
Director

Zhang Hu Ming
Director

The accompanying notes on pages 9 to 35 form an integral part of the financial statements.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Statement of Changes in Equity

For the six months ended 30 June 2007

	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	Total RMB'000
At 31 December 2006	253,785	380,457	28,875	—	6,634	142,242	25,379	837,372
Profit for the period	—	—	—	—	—	70,550	—	70,550
2006 final dividend declared (Note 11)	—	—	—	—	—	—	(25,379)	(25,379)
At 30 June 2007	253,785	380,457	28,875	—	6,634	212,792	—	882,543
At 31 December 2005	170,000	—	13,269	6,634	—	121,399	—	311,302
Profit for the period	—	—	—	—	—	53,422	—	53,422
Transfer of statutory public welfare fund	—	—	—	(6,634)	6,634	—	—	—
2005 final dividend declared (Note 11)	—	—	—	—	—	(56,663)	—	(56,663)
At 30 June 2006	170,000	—	13,269	—	6,634	118,158	—	308,061

The accompanying notes on pages 9 to 35 form an integral part of the financial statements.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Cash Flow Statement

For the six months ended 30 June 2007

	Note	Six months ended 30 June 2007 RMB'000	2006 RMB'000
Operating activities			
Profit before tax		**103,882**	81,062
Adjustments to reconcile profit before tax to net cash flows			
Non-cash:			
Share of loss of an associate	15	—	23
Gain from sale of an equity interest in an associate		—	(69)
Depreciation and amortisation	7	**14,184**	10,863
Provision for bad and doubtful debts	7	**224**	553
Provision for obsolete inventories	7	**690**	—
Interest expense	6	**3,113**	3,092
Interest income	6	**(7,323)**	(1,588)
Operating profit before working capital changes		**114,770**	93,936
Working capital adjustments:			
Increase in inventories		**(8,333)**	(67,427)
(Increase)/decrease in trade and notes receivables		**(585)**	11,643
(Increase)/decrease in prepayments, deposits and other receivables		**(51,631)**	3,424
Decrease in trade and notes payables		**(8,556)**	(15,492)
Increase in accrued liabilities and other payables		**29,191**	26,044
Income tax paid		**(17,882)**	(2,823)
Net cash flows from operating activities		**56,974**	49,305

The accompanying notes on pages 9 to 35 form an integral part of the financial statements.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Cash Flow Statement *(continued)*

For the six months ended 30 June 2007

	Note	Six months ended 30 June 2007 RMB'000	2006 RMB'000
Net cash flow from operating activities		**56,974**	49,305
Investing activities			
Interest received		**6,836**	39
Proceeds from sale of an equity interest in an associate	15	**—**	500
Purchases of property, plant and equipment and prepaid land premiums		**(53,545)**	(48,339)
Receipt of deposits with an original maturity of over three months		**350,630**	—
Funds collected from Anhui Tianda Enterprise (Group) Company Limited		**—**	18,748
Net cash flows used in investing activities		**303,921**	(29,052)
Financing activities			
Proceeds from interest-bearing loans and borrowings		**56,000**	—
Repayment of interest-bearing loans and borrowings		**(131,000)**	—
Interest paid		**(3,292)**	(3,092)
Dividends paid	11	**(25,379)**	(1,621)
Proceeds from issue of shares		**10,209**	—
Net cash flows used in financing activities		**(93,462)**	(4,713)
Net increase in cash and cash equivalents		**267,433**	15,540
Cash and cash equivalents at 1 January		**85,799**	12,749
Cash and cash equivalents at 30 June		**353,232**	28,289
Analysis of balances of cash and cash equivalents			
Cash and bank balances	19	**353,232**	28,289

The accompanying notes on pages 9 to 35 form an integral part of the financial statements.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements

30 June 2007

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**") on 23 June 2004 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 a way of an 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 a 74.5% equity interest in Tianda Holding as at 30 June 2007, and therefore is the ultimate shareholder of the Company.

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.

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 (the "**IFRIC**") interpretation during the period.

IAS 1	Amendment — Presentation of Financial Statements — Capital Disclosure
IFRS 7	Financial Instruments: Disclosures
IFRIC 10	Interim Financial Reporting and Impairment

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

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

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 directors of the Company determine the estimated useful lives and residual values and consequently the 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.

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, the 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 the 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, the difference will impact the carrying values of inventories and write-downs of inventories in the period in which the 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.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

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 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.

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 the 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 a qualifying asset is deducted from the borrowing costs capitalised.

Other borrowing costs are recognised as expenses when incurred.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 an 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 a 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.

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.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Trade and other receivables *(continued)*

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.

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.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 generally within three months when acquired.

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

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, interest-bearing loans and borrowings, 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.

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 comprises 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.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxes *(continued)*

Current income tax

Current income tax assets and liabilities for the current period 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.

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 part 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 period 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 duties. 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 associated 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.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

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).

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 after 1 January 2007.

IAS 23 (revised)	Borrowing Costs
IFRS 8	Operating Segments
IFRIC 11	IFRS2 — Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The directors of the Company is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that while the adoption of IFRS 8 may result in new or amended disclosures, this new IFRS is unlikely to have a significant impact on the Company's results of operations and financial position. The directors of the Company expect that the adoption of the other 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.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats:

(i) on a primary segment reporting basis, by business segment; and

(ii) on a secondary segment reporting basis, by geographical segment.

The Company's operating business are structured and managed separately according to the nature of its operations and its products. Each of the Company's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segment. Summary details of the business segments are as follows:

- Manufacturing seamless steel pipes

- Sourcing and distributing seamless steel pipes

In determining the Company's geographical segments, revenues are attributed to the segments based on the location of the customers.

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

(a) Business segments

The following table presents revenue and profit for the Company's business segments for the six-month periods ended 30 June 2007 and 2006.

	Manufacturing seamless steel pipes RMB'000	**Sourcing and distributing seamless steel pipes** RMB'000	**Total** RMB'000
Six months ended 30 June 2007			
Revenue	617,357	111,204	728,561
Results			
Segment gross profit	130,359	13,242	143,601
Unallocated other income			5,678
Unallocated expenses			(41,695)
Net finance costs			(3,702)
Profit before tax			103,882
Income tax expense			(33,332)
Profit for the period			70,550

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

3. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

	Manufacturing seamless steel pipes RMB'000	Sourcing and distributing seamless steel pipes RMB'000	Total RMB'000
Six months ended 30 June 2006			
Revenue	463,278	132,851	596,129
Results			
Segment gross profit	92,075	16,171	108,246
Unallocated other income			523
Unallocated expenses			(25,964)
Net finance costs			(1,720)
Share of loss of an associate			(23)
Profit before tax			81,062
Income tax expense			(27,640)
Profit for the period			53,422

The following table presents certain asset, liability and expenditure information for the Company's business segments as at 30 June 2007 and 31 December 2006.

	Manufacturing seamless steel pipes RMB'000	Sourcing and distributing seamless steel pipes RMB'000	Total RMB'000
As at 30 June 2007			
Assets			
Segment assets	589,930	28,057	617,987
Unallocated assets			542,214
Total assets			1,160,201
Liabilities			
Segment liabilities			—
Unallocated liabilities			277,658
Total liabilities			277,658
Other segment information			
Capital expenditure	52,490	—	52,490
Depreciation and amortisation	14,184	—	14,184
Impairment of assets recognised	914	—	914

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

3. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

	Manufacturing seamless steel pipes RMB'000	**Sourcing and distributing seamless steel pipes** RMB'000	**Total** RMB'000
As at 31 December 2006			
Assets			
Segment assets	548,526	23,512	572,038
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

(b) Geographical segments

The principal assets employed by the Company are located in Anhui Province, the PRC. Therefore, no segment information based on the geographical location of the Company's assets is presented for the balance sheets of 30 June 2007 and 31 December 2006.

The following table presents revenue for the Company's geographic segments for the six-month periods ended 30 June 2007 and 2006.

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
PRC	**610,376**	576,141
Overseas	**118,185**	19,988
	728,561	596,129

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.

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Sales of goods	**730,200**	597,599
Less: Government surcharges	**(1,639)**	(1,470)
Revenue	**728,561**	596,129

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

5. OTHER INCOME AND EXPENSES

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Other income		
Government grants	**5,513**	420
Profit on sale of investment in an associate	**—**	69
Other income	**165**	34
	5,678	523

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

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Other expenses		
Bank charges	**115**	154
Other expenses	**80**	—
	195	154

6. FINANCE REVENUE AND COSTS

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Finance revenue		
Bank interest income	**7,323**	39
Interest on a balance due from Tianda Holding	**—**	1,549
	7,323	1,588
Finance costs		
Bank loan interest	**2,841**	3,092
Interest arising from bill discounting	**272**	—
Foreign exchange losses	**7,912**	216
	11,025	3,308

Including in the foreign exchange losses of RMB7,912,000 for the six-month period ended 30 June 2007, a foreign exchange loss of RMB7,291,000 (six-month period ended 30 June 2006: Nil) was incurred as the result of the depreciation of HK dollars against RMB in relation to the collected international placing proceeds denominated in HK dollars in December 2006.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

7. PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2007	2006
	Note	**RMB'000**	RMB'000
Costs of sales		**584,960**	487,883
Depreciation	13	**13,875**	10,625
Amortisation of prepaid land premiums	14	**309**	238
Provision for bad and doubtful debts		**224**	553
Provision for obsolete inventories		**690**	—
Research and development costs		**987**	1,012
Auditors' remuneration		**667**	—
Staff costs (including directors' and supervisors' remuneration as set out in Note 8):			
— salaries and other staff costs		**12,008**	8,434
— retirement costs — defined contribution fund		**1,630**	560

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Details of the remuneration of directors and supervisors during the six-month periods ended 30 June 2007 and 2006 are as follows:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Fees	**—**	—
Other emoluments		
Salaries, allowances, bonuses and other benefits	**545**	57
Pension scheme contributions	**8**	3
	553	60

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

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Directors:		
Ye Shi Qu	**162**	24
Zhang Hu Ming	**162**	24
Zhang Jian Huai	**—**	—
Xie Yong Yang	**102**	—
Liu Peng	**—**	—
	426	48
Supervisors:		
Yong Jin Gui	**15**	—
Yang Quan Fu	**17**	—
Liu Jun Chang	**20**	12
	52	12
Independent directors:		
Wu Chang Qi	**25**	—
Wang Xiu Zhi	**25**	—
Zhao Bin	**25**	—
	75	—

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

8. DIRECTORS' AND SUPERVISORS' REMUNERATION *(continued)*

The numbers of directors and supervisors and non-director and non-supervisor employees included in the five highest paid employees during the six-month periods ended 30 June 2007 and 2006 are as follows:

	Six months ended 30 June	
	2007	2006
Directors and supervisors	**4**	2
Non-director and non-supervisor employees	**1**	3
	5	5

The details of the remuneration of the remaining non-director, non-supervisor highest paid employees during the six-month periods ended 30 June 2007 and 2006 are as follows:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Salaries, allowances, bonuses and other benefits	**330**	52
Pension scheme contributions	**6**	3
	336	55

9. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Company had no assessable profits arising in Hong Kong for the six-month period ended 30 June 2007 (six-month period ended 30 June 2006: Nil).

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

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "**New Corporate Income Tax Law**") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Therefore, the applicable income tax rate of the Company will become 25% according to the New Corporate Income Tax Law starting from 1 January 2008.

The major components of income tax expense for the six-month periods ended 30 June 2007 and 2006 are as follows:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Current income tax charge	**34,817**	5,146
Adjustments in respect of current tax of previous years	**(1,485)**	—
Deferred income tax relating to origination and reversal of temporary differences	**—**	22,494
Income tax expense reported in the income statement	**33,332**	27,640

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

9. INCOME TAX EXPENSE *(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:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Accounting profit before income tax	**103,882**	81,062
Tax at an applicable tax rate of 33%	**34,281**	26,750
Adjustments in respect of current tax of previous years	**(1,485)**	—
Tax effect of expense items which are not deductible for income tax purposes	**536**	890
Income tax expense reported in the income statement	**33,332**	27,640
Effective tax rate	**32.09%**	34.10%

The movements in income tax payable during the six-month periods ended 30 June 2007 and 2006 are as follows:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
At the beginning of the period	**27,342**	914
Provision for the period	**33,332**	5,146
Payment during the period	**(17,882)**	(2,823)
At the end of the period	**42,792**	3,237

The movements in deferred income tax assets arising from the investment tax credits during the six-month periods ended 30 June 2007 and 2006 are as follows:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
At the beginning of the period	—	38,551
Deferred tax charged to the income statement during the period	—	(22,494)
At the end of the period	—	16,057

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to the equity holders of the Company and the weighted average number of shares (including Domestic Shares and H Shares) outstanding during the period. The weighted average number of shares for the six-month period ended 30 June 2007 is 507,570,000 (six-month period ended 30 June 2006: 340,000,000), 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 the six-month period ended 30 June 2006.

Diluted earnings per share amounts for the six-month periods ended 30 June 2007 and 2006 have not been calculated as there were no diluting events during the six-month periods ended 30 June 2007 and 2006.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

11. DIVIDENDS

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Dividend	**25,379**	56,663

The directors of the Company does not propose any interim dividend for the six-month period ended 30 June 2007 (six-month period ended 30 June 2006: Nil).

Pursuant to a resolution of an annual shareholders' meeting on 10 May 2007, the Company's shareholders approved the proposed dividend for the year ended 31 December 2006 of RMB25,379,000 in aggregate (RMB0.05 per share) to the then shareholders.

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 (RMB0.20 per share) 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.

12. RETIREMENT BENEFITS

As stipulated by PRC 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 RMB'000	**Plant and machinery** RMB'000	**Motor vehicles** RMB'000	**Office and other equipment** RMB'000	**Construction in progress** RMB'000	**Total** RMB'000
Cost:						
As at 31 December 2006 and 1 January 2007	97,592	186,413	101	11,572	93,372	389,050
Additions	949	11,744	1,044	1,192	36,929	51,858
Transferred from construction in progress	3,454	71,770	—	138	(75,362)	—
Transferred to prepaid land premiums	—	—	—	—	(1,775)	(1,775)
As at 30 June 2007	101,995	269,927	1,145	12,902	53,164	439,133
Accumulated depreciation:						
As at 31 December 2006 and 1 January 2007	5,842	37,306	18	3,832	—	46,998
Charge for the period	1,360	11,859	23	633	—	13,875
As at 30 June 2007	7,202	49,165	41	4,465	—	60,873
Net book value:						
As at 31 December 2006	91,750	149,107	83	7,740	93,372	342,052
As at 30 June 2007	94,793	220,762	1,104	8,437	53,164	378,260

All buildings of the Company are located in mainland China.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

14. PREPAID LAND PREMIUMS

	Prepaid land premiums RMB'000
Cost:	
As at 31 December 2006 and 1 January 2007	29,166
Additions	632
Transferred from construction in progress	1,775
As at 30 June 2007	31,573
Accumulated amortisation:	
As at 31 December 2006 and 1 January 2007	1,008
Charge for the period	309
As at 30 June 2007	1,317
Net book value:	
As at 31 December 2006	28,158
As at 30 June 2007	30,256

15. INVESTMENT IN AN ASSOCIATE

	30 June 2007 RMB'000	31 December 2006 RMB'000
Share of the associate's balance sheet		
Current assets	—	—
Current liabilities	—	—
Net assets	—	—
Disposal of an associate	—	500
Carrying amount of the investment	—	—

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Share of the associate's revenue and loss:		
Revenue	—	1,269
Loss	—	(23)

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

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**", a 90%-owned subsidiary of Tianda Holding) 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 the Company's original investment in Tianda Import and Export. On 4 April 2006, Tianda Plastic Company settled the consideration in full to the Company.

16. INVENTORIES

	30 June 2007 RMB'000	31 December 2006 RMB'000
Raw materials, at cost	**119,378**	114,060
Work in progress, at cost	**11,880**	12,134
Finished goods and merchandises	**78,213**	75,634
	209,471	201,828

Included in inventories as at 30 June 2007 were certain finished goods carried at a net realisable value of RMB1,987,000 (31 December 2006: RMB610,000).

17. TRADE AND NOTES RECEIVABLES

	30 June 2007 RMB'000	31 December 2006 RMB'000
Notes receivable — third parties	**61,392**	45,729
Trade receivables — third parties	**32,019**	47,097
	93,411	92,826
Less: Provision for bad and doubtful debts	**(359)**	(235)
	93,052	92,591

The balances of notes receivable are unsecured, interest-free and aged less than six months.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

17. TRADE AND NOTES RECEIVABLES *(continued)*

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

	30 June 2007 RMB'000	31 December 2006 RMB'000
Outstanding balances with ages:		
Within one year	**31,604**	46,840
Between one and two years	**158**	257
Between two and three years	**257**	—
Over three years	**—**	—
	32,019	47,097

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

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2007 RMB'000	31 December 2006 RMB'000
Prepayments	**94,255**	38,166
Other receivables	**1,288**	19,620
Bank interest receivables	**487**	—
	96,030	57,786
Less: Provision for prepayments and other receivables	**(100)**	(273)
	95,930	57,513

The Company wrote off uncollectible prepayments of RMB273,000 during the six-month period ended 30 June 2007 (six-month period ended 30 June 2006: Nil).

All balances are unsecured, interest-free and have no fixed terms of repayment.

19. CASH AND BANK BALANCES

	30 June 2007 RMB'000	31 December 2006 RMB'000
Cash at banks and on hand	**353,232**	10,575
Short-term deposits with maturity of three months or less	**—**	75,224
Short-term deposits with maturity of over three months	**—**	350,630
	353,232	436,429

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.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

20. INTEREST-BEARING LOANS AND BORROWINGS

	30 June 2007 RMB'000	31 December 2006 RMB'000
Bank loans:		
Unsecured	**30,000**	105,000
Repayable:		
Within one year	**30,000**	70,000
In the second year	**—**	35,000
In the third to fifth years, inclusive	**—**	—
	30,000	105,000
Portion classified as current liabilities	**(30,000)**	(70,000)
Long term portion	**—**	35,000

Bank loans bear interest at commercial rates ranging from 5.58%-6.39% per annum for the six-month period ended 30 June 2007 (six-month period ended 30 June 2006: 5.58%-5.86%).

21. TRADE AND NOTES PAYABLES

	30 June 2007 RMB'000	31 December 2006 RMB'000
Notes payable — third parties	**—**	20,746
Trade payables — third parties	**57,565**	41,846
Amount due to Tianda Holding	**789**	419
Amount due to other related parties	**—**	3,899
	58,354	66,910

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 credit 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:

	30 June 2007 RMB'000	31 December 2006 RMB'000
Outstanding balances with ages:		
Within one year	**57,435**	66,290
Between one and two years	**752**	453
Between two and three years	**—**	51
Over three years	**167**	116
	58,354	66,910

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

22. ACCRUED LIABILITIES AND OTHER PAYABLES

	30 June 2007 RMB'000	31 December 2006 RMB'000
Advances from customers	**67,063**	51,135
Payroll payables	**6,501**	6,670
Welfare payables	**4,422**	5,352
Other payables	**68,526**	58,625
Payable to Tianda Holding	**—**	165
	146,512	121,947

Included in the other payables as at 30 June 2007 was an finance appropriation of RMB6,500,000 (31 December 2006: RMB5,500,000) received from the local government for the construction of an aqueduct. The aggregated capital expenditure on the construction of the aqueduct as at 30 June 2007 were approximately RMB3,538,000 (31 December 2006: RMB1,686,000).

All balances of accrued liabilities and other payables are unsecured, interest-free and have no fixed terms of repayment.

23. ISSUED CAPITAL

	30 June 2007 RMB'000	31 December 2006 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**	83,785
Total	**253,785**	253,785

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 to 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.

There was no movement of issued capital during the six-month periods ended 30 June 2007 and 2006. The information of the Company's issued capital as at 30 June 2007 and 31 December 2006 is as follows:

	Numbers of shares in issue '000	**Issued share capital** RMB'000	**Share premium account** RMB'000	**Total** RMB'000
At 30 June 2007 and 31 December 2006	507,570	253,785	380,457	634,242

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

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 issued capital of the Company, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

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 and borrowings, 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 the six-month periods ended 30 June 2007 and 2006, the Company's policy that no trading in financial instruments should be undertaken.

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 of directors of the Company 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.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

25. FINANCIAL INSTRUMENTS *(continued)*

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.

The Company does not have any significant investment out of mainland China, however, the Company has transactions currency exposures. Such exposure arises from sales in currencies other than the Company's functional currency. Approximately 16% of the Company's sales for the six-month period ended 30 June 2007 (the six-month period ended 30 June 2006: 3%) are denominated in currencies other than the functional currency of the Company making the sales. As practice, the Company sells out all the currencies other than the functional currency to the banks immediately upon receipt of those currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the Hong Kong dollar exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/decrease in Hong Kong dollar rate	**Effect on profit before tax** RMB'000
Six-month period ended 30 June 2007	+5%	6,156
	–5%	(6,156)
Six-month period ended 30 June 2006	+5%	—
	–5%	—

Credit risk

It is the Company's policy that all customers are required to pay advances before products are delivered. Credit terms of 1 to 45 days are 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.

Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank accepted drafts and bank loans.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

25. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk *(continued)*

The table below summaries the maturity profile of the Company's financial liabilities at 30 June 2007 and 31 December 2006 based on contractual undiscounted payments.

	On demand RMB'000	**Less than 3 months** RMB'000	**3 to 12 months** RMB'000	**1 to 5 years** RMB'000	**>5 years** RMB'000	**Total** RMB'000
30 June 2007						
Interest-bearing loans and borrowings	—	—	30,000	—	—	30,000
Trade and notes payables	58,354	—	—	—	—	58,354
Accrued liabilities and other payables	146,512	—	—	—	—	146,512
	204,866	—	30,000	—	—	234,866
31 December 2006						
Interest-bearing loans and borrowings	—	30,000	40,000	35,000	—	105,000
Trade and notes payables	46,164	20,746	—	—	—	66,910
Accrued liabilities and other payables	121,947	—	—	—	—	121,947
	168,111	50,746	40,000	35,000	—	293,857

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the six-month periods end 30 June 2007 and 2006.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest-bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the equity holders.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

25. FINANCIAL INSTRUMENTS *(continued)*

Capital management *(continued)*

	30 June 2007 RMB'000	31 December 2006 RMB'000
Interest-bearing loans and borrowings	**30,000**	105,000
Trade and notes payables	**58,354**	66,910
Less: Cash and bank balances	**(353,232)**	(436,429)
Net debt	**(264,878)**	(264,519)
Equity	**882,543**	837,372
Capital and net debt	**617,665**	572,853

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 six-month periods ended 30 June 2007 and 2006, the Company had the following material transactions with related parties:

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Purchases of property, plant and equipment and prepaid land premiums from		
Tianda Holding (note a)	—	36,552
related parties (note b)	—	7
	—	36,559
Disposal of an associate to a related party (note c)	—	500

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

26. RELATED PARTY TRANSACTIONS *(continued)*

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Interest income received/receivable from Tianda Holding (note d)	—	1,549
Guarantees for the bank loans provided to a related party (note e)	—	55,000
Guarantees for the bank loans provided by Tianda Holding (note f)	—	110,000
Sales of goods to		
Tianda Holding (note b)	—	193
related parties (note b)	—	53
	—	246
Purchases of water from Tianda Holding (note g)	**371**	298
Purchases of goods from related parties (note h)	**283**	1,975
Lease of staff quarters from Tianda Holding (note i)	**48**	48

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. These property, plant and equipment together with the piece of land were acquired by Tianda Holding in 2005 from a third party company at a consideration of RMB34,571,000.

(b) These transactions were carried out based on costs incurred, as agreed between the Company and Tianda Holding as well as the related parties.

(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 90%-owned subsidiary of Tianda Holding.

(d) During the six-month period ended 30 June 2006, there were fund transfers between the Company and Tianda Holding. As of 30 June 2006, the balance payable to Tianda Holding amounted to RMB130,000. During the six-month period ended 30 June 2006, 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.

(e) During the six-month period ended 30 June 2006, 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. No such guarantee has been provided by the Company after 7 July 2006.

(f) During the six-month period ended 30 June 2006, Tianda Holding provided corporate guarantees of RMB110,000,000 in connection with the bank loans of the Company, which were subsequently released in December 2006. No such corporate guarantee has been provided to the Company after 31 December 2006.

II. AUDITED FINANCIAL STATEMENTS *(continued)*

Notes to Financial Statements *(continued)*

30 June 2007

26. RELATED PARTY TRANSACTIONS *(continued)*

Notes: *(continued)*

(g) The purchases were conducted based on mutually agreed terms with reference to the market price.

(h) These transactions were in respect of purchases of pipe protection casings and packaging materials that were carried out based on costs incurred plus margin of 5-10%, as agreed between the Company and the related parties.

(i) Pursuant to the dormitory lease agreement entered with Tianda Holding, the Company paid an annual rent of RMB96,000 for a period from 1 January 2006 to 31 December 2008.

(j) Pursuant to a trademark assignment agreement entered with Tianda Holding on 1 July 2004, the Company was authorised to use the trademark of Tianda at an annual fee charge of RMB10 for a period from 1 July 2004 to 14 October 2006.

(k) During the six-month period ended 30 June 2006, Tianda Holding endorsed bank accepted drafts to the Company that were subsequently endorsed to suppliers by the Company. No such transaction was made after June 2006. As at 30 June 2006, the undue bank accepted drafts endorsed by Tianda Holding to the Company aggregated to RMB179,710,000 (30 June 2007 and 31 December 2006: Nil).

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).

28. CAPITAL COMMITMENTS

	30 June 2007 RMB'000	31 December 2006 RMB'000
Contracted, but not provided for	**27,579**	25,337

29. CONTINGENT LIABILITIES

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

	30 June 2007 RMB'000	31 December 2006 RMB'000
Bank accepted drafts endorsed with recourse	**245,781**	131,168
Bank accepted drafts discounted with recourse	**16,650**	—

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 7 August 2007.

III. UNAUDITED INCOME STATEMENT

For the three months ended 30 June 2007

	Three months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue	**407,266**	348,849
Cost of sales	**(328,919)**	(287,746)
Gross profit	**78,347**	61,103
Other income	**4,788**	512
Selling and distribution costs	**(10,183)**	(12,383)
Administrative expenses	**(12,323)**	(1,606)
Other expenses	**(113)**	(146)
Operating profit	**60,516**	47,480
Finance revenue	**3,490**	—
Finance costs	**(1,905)**	(1,293)
Share of loss of an associate	**—**	—
Profit before tax	**62,101**	46,187
Income tax expense	**(19,197)**	(15,691)
Profit for the period	**42,904**	30,496
Dividends	**25,379**	—
Earnings per share		
basic, for profit for the period	**RMB0.08**	RMB0.09

IV. MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the six months ended 30 June 2007, the Company recorded total revenue of approximately RMB728,561,000 (six months ended 30 June 2006: approximately RMB596,129,000). Compared to the corresponding period in the previous year, there is an increase in the total revenue of approximately RMB132,432,000 or a growth of approximately 22.2%. This increase was primarily attributable to the Company's increased sales as a result of increased production from and utilization of the oil well pipe production lines and the persistent market demand for oil well pipes in the PRC during the same period. The commencement of production of the Company's heat processing production line in January 2007 has also contributed to this increase in revenue.

For the six months ended 30 June 2007, the Company recorded gross profit of approximately RMB143,601,000 (six months ended 30 June 2006: approximately RMB108,246,000). It is primarily the result of the increase in sales of oil well pipes as a proportion of the Company's total turnover as well as the commencement of sales of heat processed oil well pipes which have higher profit margins. Regarding profit margin of the product mix, as the production technique and experience of the Company's oil well pipe production have been continuously improving, the cost of production decreased and efficiency enhanced. This resulted in an increase in the gross margin of oil well pipes from approximately 21.4% for the six months ended 30 June 2006 to approximately 23.3% for the six months ended 30 June 2007.

Along with the growth in the Company's turnover as well as its export business, selling and distribution expenses increased to approximately RMB24,216,000 for the six months ended 30 June 2007 (six months ended 30 June 2006: approximately RMB19,440,000) due to the expansion of the Company's overseas client base and the more expensive international freight costs incurred by the Company as a result of increased overseas sales in the first half of 2007.

The Company's administrative expenses increased by 171% from RMB6,370,000 for the six months ended 30 June 2006 to RMB17,284,000 for the six months ended 30 June 2007, primarily as a result of the increase in salaries and other staff costs for the management team in all levels so as to reward their contributions to the Company's development and growth, overheads incurred for the Company being a listed company in Hong Kong and professional fees incurred for the proposed migration of the Company's H shares to be traded on the main board of the Stock Exchange.

The Company's finance revenue for the six months ended 30 June 2007 was approximately RMB7,323,000, representing approximately 4.6 times of that for the corresponding period in 2006 of RMB1,588,000. This was primarily attributable to the interest received for the time deposit of the listing proceeds from the listing of the H shares of the Company on GEM, the commencement of which took place on 1 December 2006 (the "**GEM Listing**"). The Company's finance costs increased by approximately 233.3% from approximately RMB3,308,000 for the six months ended 30 June 2006 to approximately RMB11,025,000 for the six months ended 30 June 2007, primarily as a result of the foreign exchange loss because of the appreciation of RMB when the listing proceeds from the GEM Listing was in Hong Kong dollars. Following the scheduled application of the listing proceeds from GEM Listing, foreign exchange losses of such scale are not expected to recur.

The Company recorded net profit attributable to equity holders of approximately RMB70,550,000 for the six months ended 30 June 2007 (six months ended 30 June 2006: approximately RMB53,422,000). Compared to the corresponding period in the previous year, there is an increase in the net profit attributable to equity holders of approximately RMB17,128,000 or a growth of approximately 32.1%. The increase was primarily the result of increased sales of oil well pipes and heat processed oil well pipes with higher margins and increased economies of scale.

IV. MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Operations review

Regarding its domestic market, the Company has been making inroads to supplying leading petrochemical companies in the PRC directly. Moreover, the Company has successfully developed its market among oil fields in the northeast and the northwest regions of the PRC. On such basis, product types and sales volume gradually expanded while the development scale for other markets in the PRC was also being bolstered. During the period under review, sales of oil well pipes recorded approximately RMB446,188,000 (six months ended 30 June 2006: approximately RMB338,386,000), having increased approximately 31.9% as compared with the corresponding period last year. For the overseas market, more resources have been injected in order to raise the penetration rate and the turnover in the international market. During the period under review, the Company recorded export sales of approximately RMB118,185,000 (six months ended 30 June 2006: approximately RMB19,988,000), having increased approximately 491.3% as compared with the corresponding period last year.

During the period under review, the Company was actively commencing the oil well pipe technology upgrade under phase II of the 861 Action Plan to build a 300,000 tonnes high grade oil well pipe production line (the "**Phase II of the 861 Action Plan**"). The Company would make further announcement, when necessary, on the progress of the Phase II of the 861 Action Plan and in accordance with the GEM Listing Rules.

The board of directors of the Company (the "**Board**") proposed to make an application to the relevant authority for the listing of the Company's H shares in issue on the main board of the Stock Exchange by way of introduction and, when successfully listed, the Company would withdraw voluntarily the listing of its H shares in issue on GEM. During the period under review, relevant shareholders' approval for the application has been obtained while the Company also obtained the notice of acceptance of application from the China Securities Regulatory Commission. The Company appointed Cazenove Asia Limited as its sponsor and has submitted an advance booking form for the above proposed introduction to the Stock Exchange on 3 July 2007. The Company will make further announcement to keep the Shareholders informed of such progress in due course.

Segment information

1. *Self-produced specialized seamless pipes*

During the period under review, the Company continued the research and development of new products and strengthened its development of the market for high value-added and advanced technology embedded oil well pipes, the on-going research of production craftsmanship in heat treatment and threading of oil well pipes and the launch of the newly developed high grade oil well pipes, such as L80 and P110 etc, into the market. In respect of vessel pipes, the Company attained the respective accreditations from Japanese shipping classification society (Nippon Kaiji Kyokai) in January 2007 and from the Registro Italiano Navale ed Aeronautico of Italy (RINA) in February 2007. As of 30 June 2007, the Company has already attained accreditations from 9 national shipping classification societies. Meanwhile, the Company was being awarded the certificate of the Pressure Equipment Directive (97/23/EC) of the European Community which enables the Company to export its pressurized specialized pipes such as boiler pipes to European Community countries and open up a new product line for exports.

The installation and fine-tuning of the equipments for the Company's oil well pipe heat treatment production line technology upgrade project with an annual capacity of 100,000 tonnes were successfully completed during the period under review and has commenced commercial production. The improved performance and quality of oil well pipes after heat treatment would allow application of these pipes to harsher geological environment. Hence, profiles of such heat treated products are enhanced and its product mix is also improved. Meanwhile, the Company maintained the progress of its oil well pipe technology upgrade. After the acquisition of inspection and testing equipment, product quality was further improved as a result of having more effective inspection and testing techniques. In July 2007, the construction of the oil well pipes threading production line technology upgrade project, with an annual capacity of 100,000 tonnes, was completed.

IV. MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Segment information *(continued)*

2. Sourcing and distribution of specialized seamless pipes

The logistics and one-stop shop services of the Company were strengthened considerably while it actively involved in the development and upgrade of its target market for the six months ended 30 June 2007. In addition to producing specialized seamless pipes to meet the demand of its customers, the Company also provides one-stop shop services to customers which assisted the customers by sourcing and distributing specialized seamless pipes with other specifications that the Company did not produce. The provision of a full range service aims at saving purchasing time and purchase costs for customers and may help to build up market bases to take advantage of the Company's increased capacity and new product lines in the future.

Liquidity and financial resources

The Company's working capital was generally financed by our internally generated cash flow and borrowings from banks.

As at 30 June 2007, the Company's cash and bank deposits amounted to approximately RMB353,232,000 (31 December 2006: approximately RMB436,429,000). As at 30 June 2007, the Company's interest-bearing loans and borrowings amounted to RMB30,000,000 (31 December 2006: RMB105,000,000). As at 30 June 2007, all of the Company's banks loans were unsecured (31 December 2006: unsecured), denominated in Renminbi, with fixed interest rate and would be matured within one year. There is no particular seasonality of the Company's borrowings.

The Company's gearing ratio as at 30 June 2007 was approximately 2.6% (31 December 2006: approximately 9.1%), which is a percentage based on the interest-bearing loans and borrowings divided by total assets.

Charges on assets

As at 30 June 2007, none of the Company's property, plant and equipment and bank deposit were pledged to secure the banking facilities of the Company (31 December 2006: Nil).

Significant investments held

During the six months ended 30 June 2007, the Company did not have any significant investment.

Major acquisition and disposal

The Company did not make any major acquisition or disposal during the six months period ended 30 June 2007.

Contingent liabilities

As at 30 June 2007, the Company's contingent liabilities included bank accepted drafts endorsed with recourse amounted to approximately RMB245,781,000 (31 December 2006: approximately RMB131,168,000) and bank accepted drafts discounted with recourse amounted to approximately RMB16,650,000 (31 December 2006: Nil).

Foreign exchange risk

Generally, the Company sells its products to overseas customers in United States dollars which exposes the Company 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.

IV. MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Human resources

The Company believes that the quality of its employees is one of the most important factors for its development and growth and the enhancement of its profitability. As at 30 June 2007, the Company had 1,018 employees (as at 31 December 2006: 840 employees). The remuneration package for the Company's employees includes salaries, incentives (such as bonus based on work performance) and allowances.

Prospects

In light of the rapid development of the global economy, the market demand for oil well pipes is expected to maintain its steady increasing trend as long as persistent robust demand for crude oil and the increasing crude oil exploration activities in the country and worldwide would continue. Going forward, the Company intends to further strengthen its in-house research and development capability, enhance the profile and value-added of its products, improve the utilization and efficiency of production equipments, reinforce the development of domestic and overseas markets and enhance the scale and level of one-stop shop services, upgrade scientific management tactics and internal cost controls in order to fortify the Company's own competitive advantages. Meanwhile, by means of implementing phase II of the 861 Action Plan to be funded through a combination of internal cash resources, bank financing and/or equity financing, we expect to continue generating fruitful returns to the Company's shareholders.

i. Enhance operation efficiency

The Company will promote products profile and increase productivity through more extensive research and development while at the same time improve management efficiency and tighten cost control.

ii. Develop both domestic and overseas markets

For domestic markets, the Company will continue to upgrade its target market, promote sales of high value-added products and speed up the provision of high value-added products.

For overseas markets, the Company will not only achieve notable results in the North American and European markets but also utilize the strength of its market development to the selected potential markets in the Middle East, Africa and South America in order to increase its share of export sales.

iii. Provide value-added services

The Company will be more market-oriented through its direct selling and one-stop shop marketing tactics. Moreover, it will enhance its service level to customers and strengthen the promotion of the Company's products.

iv. Expand corporate scale

The Company would keep on locating domestic and foreign strategic partners in an active and prudent manner.

v. Enhance international status

Through the proposed migration of the Company's H shares to be traded on the main board of the Stock Exchange, the Company would procure more support from international capital market together with increase in the liquidity of its H shares.

V. COMPARISON OF THE BUSINESS OBJECTIVES WITH THE ACTUAL BUSINESS PROGRESS

The following is a comparison of the actual business progress from 1 January 2007 to 30 June 2007 and the business objectives as set out in the Company's prospectus dated 27 November 2006 (the "**Prospectus**").

Business objectives as stated in the Prospectus	Actual business progress in respect of the period from 1 January 2007 to 30 June 2007
Product improvement and development	
i. the Company intends to improve and develop products in response to market demands and changes. ii. Through the research in the production technologies and craftsmanship of heat processing for oil well pipes, more investment will be made in technology upgrade for equipment. iii. Through further processing of oil well pipe products (such as threading), standard and added value of the products will be enhanced.	The Company successfully obtained its production certification from Japan and Italy for specialized seamless pipes use in the construction of vessels for the periods from 5 January 2007 to 4 January 2012 and 9 February 2007 to 7 December 2011 respectively. It has also completed the construction of oil well pipe heat processing production line. The Company has contracted to purchase some of the ultra-sound inspection equipment for the purpose of inspecting high grade steel oil well pipes.
Equipment technology upgrade	
So as to implement technology upgrades to cater to new products or increase in production, the Company expects to purchase some equipment and/or technology for such equipment technology upgrades.	The Company increased production efficiency of its production equipment via technological upgrades of its existing production lines, resulting in higher production efficiency and utilization rates, and was the result of the Company's research study in its production technology and equipment.
Research and development	
i. Research and development of new products through conducting technology cooperation with Tubular Goods Research Center of China National Petroleum Corporation and Special Steel Branch Co. of Baoshan Iron and Steel Company Limited, the Company will continue to develop series of high added value oil casing pipes products that are extremely hard, corrosion resistant, pressure resistant and non-conditioning. Enhancement of the technique in heat processing of oil well pipes and development of pressure resistant oil well pipes with high grade steel, such as P110.	The Company continued to research and develop N80-Q, L80 and P110 high grade steel products which are specific for the automobile industry utilising oil well pipe production technologies, further improving the Company's product offerings. During this same period, the Company has completed the research and development in the processing technique of screw marks and asymmetrical screw marks for oil well pipes which comply with the API standard.

V. COMPARISON OF THE BUSINESS OBJECTIVES WITH THE ACTUAL BUSINESS PROGRESS *(continued)*

Business objectives as stated in the Prospectus	Actual business progress in respect of the period from 1 January 2007 to 30 June 2007
Research and development *(continued)*	
ii. Research and development on production technologies and craftsmanship for oil well pipes. Through the research in the production technologies and craftsmanship for oil well pipes, and technology upgrade for equipment, quality of products will be improved, whilst production costs will be reduced and production capability will be increased.	
iii. Research in the processing technique of screw marks, production of medium circular screw marks of American Petroleum Institute (the "**API**") standard and asymmetrical screw marks. At the same time, thickened oil transfer pipes will be produced.	
Sale and marketing	
Content in the Company's website will be updated. There will be also enhancements to the Company's information collection system. More promotional efforts will be devoted through expansion of the marketing and publications advertising network. The Company will actively participate in trade exhibitions.	The Company has established a new web page "Investor Relations" in its company website and strengthened its internet advertising efforts. The Company also participated in the Seventh Chinese International Oil and Petrochemical Technological Equipment Exhibition in Beijing, the Third International Steel Pipe Industrial Exhibition held in Shanghai and the Shanghai China Oil E-Commerce Exhibition 2007 respectively during the period from April 2007 to June 2007.
Production packaging/Logistics	
The Company will continue the development of its distribution and logistics centre by increasing production storage area by approximately 40,000 sq.m.	The Company continued to develop its distributing and logistics centre.
Phase II of the 861 Action Plan feasibility study	
The Company will continue its initial phase investment in the areas of feasibility study, environmental impact assessment, equipment knowhow and administration and other expenses.	The Company's consultant China International Engineering Consulting Corporation as well as other institutions appointed progressed its feasibility study on the Phase II of the 861 Action Plan. The Company has also passed its environmental impact assessment. The Company is technologically ready and is progressing the relevant works in respect of Phase II of the 861 Action Plan.

V. COMPARISON OF THE BUSINESS OBJECTIVES WITH THE ACTUAL BUSINESS PROGRESS *(continued)*

Use of listing proceeds from GEM Listing

The Company raised approximately HK$461.0 million of net proceeds through the international placing and the exercise of the over-allotment option in December 2006. Set out below is the intended use of proceeds of approximately HK$178.8 million in total since the GEM Listing up to 30 June 2007 according to the Prospectus:

- approximately HK$101.0 million for product improvement and development;
- approximately HK$14.9 million for equipment technology upgrade;
- approximately HK$11.9 million for research and development;
- approximately HK$1.5 million for sales and marketing;
- approximately HK$19.8 million for production packaging/logistics;
- approximately HK$9.9 million for Phase II of the 861 Action Plan Feasibility Study; and
- approximately HK$19.8 million for working capital.

The Company's actual use of proceeds for the period since the GEM Listing and up to 30 June 2007 was approximately HK$117.0 million in the following manners:

- approximately HK$71.6 million for product improvement and development;
- approximately HK$15.0 million for equipment technology upgrade;
- approximately HK$1.0 million for research and development;
- approximately HK$1.4 million for sales and marketing;
- approximately HK$4.8 million for production packaging/logistics;
- approximately HK$3.5 million for Phase II of the 861 Action Plan Feasibility Study; and
- approximately HK$19.7 million for working capital.

The Company will use the remaining unutilised net proceeds of approximately HK$344.0 million in accordance with its planned usage as set out in the Prospectus and as revised by the announcement of the Company regarding the exercise of the over-allotment option. The Company will from time to time review its business plans in the interests of the shareholders.

VI. GENERAL INFORMATION

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

As at 30 June 2007, 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 Securities and Futures Ordinance (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 of the Company 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) Personal Interests	Family Interests	Corporate Interests	Other Interests	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
The Company	Ye Shi Qu	Interest in controlled corporation (Note 1)	–	–	340,000,000 Domestic shares	–	340,000,000 Domestic shares	–	67.0%
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	100.0%	–
Tianda Holding	Zhang Hu Ming	Beneficial owner	RMB9,166,700	–	–	–	RMB9,166,700	3.9%	–
Tianda Holding	Zhang Jian Huai	Beneficial owner	RMB35,000	–	–	–	RMB35,000	0.015%	–
Tianda Holding	Yong Jin Gui	Beneficial owner	RMB8,217,500	–	–	–	RMB8,217,500	3.5%	–
Tianda Holding	Liu Jun Chang	Beneficial owner	RMB3,150,000	–	–	–	RMB3,150,000	1.3%	–
Tianda Holding	Xie Yong Yang	Beneficial owner	RMB7,367,250	–	–	–	RMB7,367,250	3.15%	–

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.

VI. GENERAL INFORMATION *(continued)*

DIRECTORS' SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Save 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 30 June 2007.

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 30 June 2007, 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 of the Company.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors or chief executive of the Company are aware, as at 30 June 2007, 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)	80.0%	53.6%
	Interests in controlled corporation (Note 2)	Domestic shares	68,000,000 (L)	20.0%	13.4%
Tianda Investment	Beneficial owner	Domestic shares	68,000,000 (L)	20.0%	13.4%
Ye Shi Qu (Note 2)	Interests in controlled corporations	Domestic shares	340,000,000 (L)	100.0%	67.0%
Hillhouse Capital Management, Ltd.	Interests in controlled corporations	H shares	25,180,000 (L)	15.0%	5.0%
Baring Asset Management Limited	Investment manager	H shares	19,908,000 (L)	11.9%	3.9%

VI. GENERAL INFORMATION *(continued)*

SUBSTANTIAL SHAREHOLDERS *(continued)*

Name	Capacity	Class of shares	Number of shares	% of total number of the relevant class of shares	% of total number of issued shares
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	Interests in controlled corporation	H shares	10,212,000 (L)	6.1%	2.0%
Gaoling Fund, L.P.	Beneficial owner	H shares	8,787,000 (L)	5.2%	1.7%
Credit Agricole Asset Management Hong Kong Limited	Investment manager	H shares	8,434,000 (L)	5.0%	1.7%

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

Note 2: Pursuant to the SFO, as Ye Shi Qu holds 74.5% of 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.

DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS

For the six months period ended 30 June 2007, 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.

VI. GENERAL INFORMATION *(continued)*

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Somerley Limited, the Company's compliance adviser, for the six-month period ended 30 June 2007, 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not purchased, sold or redeemed any of its listed securities during the six months period ended 30 June 2007.

CORPORATE GOVERNANCE

Throughout the period under review, the Company has complied with the code of provisions in the Code on Corporate Governance Practices (the "**Corporate Governance Code**") as set out in Appendix 15 of the GEM Listing Rules. The Board and the senior management of the Company have appraised themselves of the requirements of the Corporate Governance Code and reviewed the practices of the Company to ensure compliance.

During the period under review, the Company had continuing connected transactions including purchasing pipe protection casings, packaging materials, water supply and leasing a premise for staff quarters from connected parties and selling to a connected person specialized seamless pipes. Having considered the immaterial amounts involved, it is believed that all the continuing connected transactions for the year ending 31 December 2007 will be exempted from further reporting, announcement and independent shareholders' approval requirements under Rule 20.33(3) of the GEM Listing Rules.

CODE OF CONDUCT REGARDING 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 "**Dealing Code**"). The Company had made specific enquiries of all Directors and the Company was not aware of any non-compliance with the Dealing Code.

AUDIT COMMITTEE

In compliance with Rules 5.28 to 5.29 of the GEM Listing Rules, the Company established an audit committee with written terms of reference. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Company. The audit committee comprises two independent non-executive directors, Mr. Zhao Bin and Mr. Wu Chang Qi and one non-executive director Mr. Zhang Jian Huai. Mr. Zhao Bin is the chairman of the audit committee.

VI. GENERAL INFORMATION *(continued)*

AUDIT COMMITTEE *(continued)*

The audit committee has reviewed the Company's results for the three months ended 30 June 2007 and the six months ended 30 June 2007 and the relevant comparative figures and was of the opinion that the preparation of those results complied with the applicable accounting standards and requirements as adopted in the audited financial statements for year 2006 and that adequate disclosures have been made. The interim results for the six months ended 30 June 2006 and 2007 have been audited by Ernst & Young.

By order of the Board
安徽天大石油管材股份有限公司
Anhui Tianda Oil Pipe Company Limited
Ye Shi Qu
Chairman

Anhui China, 7 August 2007

As at the date of this report, the Board comprises three executive directors: Mr. Ye Shi Qu, Mr. Zhang Hu Ming and Mr. Xie Yong Yang; two non-executive directors: Mr. Zhang Jian Huai and Mr. Liu Peng; and three independent non-executive directors: Mr. Wu Chang Qi, Mr. Wang Xiu Zhi and Mr. Zhao Bin.