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: 839

PRELIMINARY FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL SUMMARY:

- For the year, the Group achieved a total production of about 607,200 tonnes, representing a decrease of approximately 12.6% as compared to 2014 and achieved total sales of about 605,830 tonnes, representing a decrease of approximately 10.9% as compared to 2014

- For the year, the Group recorded total revenue of approximately RMB2,032,445,000, representing a decrease of approximately RMB849,510,000 or approximately 29.5% as compared to 2014.

- For the year, the loss attributable to the owners of the parent of the Group was approximately RMB19,050,000 whereas the profit for 2014 was approximately RMB57,779,000.

- Loss per share amounted to approximately RMB1.89 cents whereas the earnings per share for 2014 was RMB5.73 cents.

- The Board do not propose a final dividend in respect of the year 2015.

- The special dividend in connection with the Sale and Purchase Agreement shall be an amount determined by the Board which does not exceed the maximum amount of distributable (under applicable laws) and undistributed retained profits of the Company as appearing in the Company's audited financial statements for the year ended 31 December 2015 and is subject to the Board passing resolution regarding the special dividend and submit such proposal for the shareholders' approval in the general meeting to be held in later this year. As at 31 December 2015, the maximum amount of distributable and undistributed retained profits of the Company is approximately RMB303,758,000 .

FINAL RESULTS

The board of directors (the "**Board**") of Anhui Tianda Oil Pipe Company Limited (the "**Company**") is pleased to present final results of the Company and its subsidiary (the "**Group**") for the year ended 31 December 2015 together with comparative figures for 2014.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	4	2,032,445	2,881,955
Cost of sales		(1,946,529)	(2,635,524)
Gross profit		85,916	246,431
Other income and gains	5	50,933	36,086
Selling and distribution expenses		(107,933)	(140,171)
Administrative expenses		(43,109)	(39,251)
Other expenses	5	(2,269)	(18,826)
Finance costs	6	(8,654)	(6,853)
PROFIT/(LOSS) BEFORE TAX	7	(25,116)	77,416
Income tax expense	8	6,066	(19,637)
PROFIT/(LOSS) FOR THE YEAR		(19,050)	57,779
OTHE COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(19,050)	57,779
Profit attributable to:			
Owners of the parent		(19,050)	57,779
Total comprehensive income attributable to:			
Owners of the parent		(19,050)	57,779
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB cents)	10	(1.89)	5.73

Consolidated Statement of Financial Position
As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,039,664	1,156,880
Prepaid land lease payments		24,706	25,358
Deferred tax assets	8	11,160	5,094
Total non-current assets		1,075,530	1,187,332
CURRENT ASSETS			
Inventories	11	463,143	547,714
Trade and notes receivables	12	365,258	559,404
Prepayments, deposits and other receivables	13	121,421	170,113
Tax recoverable	8	4,982	-
Cash and cash equivalents		827,763	474,910
Total current assets		1,782,567	1,752,141
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	219,067	186,205
Derivative financial instruments	15	-	2,177
Trade and notes payables	16	421,432	306,809
Tax payable	8	-	13,866
Dividends payable		120,915	-
Other payables and accruals	17	171,950	204,498
Total current liabilities		933,364	713,555
NET CURRENT ASSETS		849,203	1,038,586
TOTAL ASSETS LESS CURRENT LIABILITIES		1,924,733	2,225,918
NET ASSETS		1,924,733	2,225,918
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Issued capital		503,813	503,813
Reserves		1,420,920	1,722,105
TOTAL EQUITY		1,924,733	2,225,918

Consolidated Statement of Cash Flows
For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Net cash flows from operating activities	469,144	129,090
Net cash flows from/(used in) investing activities	17,931	(7,597)
Net cash flows used in financing activities	(134,888)	(127,686)
Net increase/ (decrease) in cash and cash equivalents	352,187	(6,193)
Cash and cash equivalents at beginning of year	474,910	481,103
Effect of foreign exchange rate changes, net	666	-
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows	827,763	474,910

NOTES:

1. Company and Groupe information

Anhui Tianda Oil Pipe Company Limited (the "Company"), was established 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.

On 1 December 2006, the Company issued new H shares by way of international placing and those H shares were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "HKEx").

The Company withdrew its listing from the GEM of the HKEx so as to arrange its H shares to be listed on the Main Board of the HKEx on 24 December 2007 by way of introduction.

On 1 April 2011, the Company issued 196,000,000 new H shares at a price of HK$3.96 per share to Vallourec & Mannesmann Tubes ("Vallourec"). The net proceeds from the above share issuance, after deducting the related issuing expenses, were approximately RMB652,857,000.

In the opinion of the directors, the holding company of the Company is Tianda Holding. Mr. Ye Shi Qu (葉世渠) held an 85.14% equity interest in Tianda Holding as at 31 December 2014, and therefore is the substantive shareholder of the Company.

The Company and its subsidiaries (the "Group") are principally engaged in the design, manufacture and sale of specialised seamless pipes for the oil and natural gas industry, including oil 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 located at Zhenxing Road, Tongcheng Town, Tianchang City, Anhui Province, the PRC.

2.1 Basis of preparation

These financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2.1 Basis of preparation (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to IFRSs 2010-2012 Cycle
Annual Improvements to IFRSs 2011-2013 Cycle

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing Rules") issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. Operating segment information

For management purposes, the Group's operating activities are attributable to a single operating segment. Therefore, no analysis by operating segment is presented.

Geographical information

(a) Revenue from external customers

	2015 RMB'000	2014 RMB'000
Mainland China	1,307,903	1,864,686
Other countries	724,542	1,017,269
	2,032,445	2,881,955

The revenue information above is based on the locations of the customers.

3. Operating segment information (continued)

Geographical information (continued)

(b) Non-current assets

	2015 RMB'000	2014 RMB'000
Mainland China	1,064,370	1,182,238
Other countries	-	-
	1,064,370	1,182,238

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about a major customer

Revenue of approximately RMB346,646,000 was derived from sales to a major customer in 2015 (2014: RMB645,013,000), including sales to a group of entities which are known to be under common control with that customer.

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 during the year.

	2015 RMB'000	2014 RMB'000
Sale of goods	2,032,445	2,881,955

5. Other income and gains and other expenses

	2015 RMB'000	2014 RMB'000
Other income and gains		
Investment income from bank financial products	37,592	23,223
Government grants	7,638	1,785
Investment income from foreign exchange forward contracts not qualifying as hedges	1,490	7,068
Fair value gains, net	2,177	-
Bank interest income	1,842	3,503
Others	194	507
	50,933	36,086

Government grants have been received from the local government authorities as subsidies to the Group. There are no unfulfilled conditions or contingencies attaching to these grants.

	2015 RMB'000	2014 RMB'000
Other expenses		
Bank charges	1,490	2,228
Fair value losses, net	-	16,591
Others	779	7
	2,269	18,826

6. Finance costs

	2015 RMB'000	2014 RMB'000
Bank loan interest	5,394	5,647
Foreign exchange losses	3,260	1,206
	8,654	6,853

7. Profit/(Loss) before tax

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Note	2015 RMB'000	2014 RMB'000
Cost of inventories sold		1,946,529	2,635,524
Depreciation		152,102	161,899
Amortisation of prepaid land lease payments		652	653
Impairment/(reversal) of impairment of trade receivables	12	(774)	975
Write-down of inventories to net realisable value		14,814	3,850
Research costs		26	51
Auditors' remuneration		920	970
Staff costs (including directors', chief executive's and supervisors' remuneration):			
- Salaries and other staff costs		88,485	101,710
- Retirement benefit contributions		15,239	15,665
Foreign exchange difference, net		3,260	1,206

8. Income tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year ended 31 December 2015 (2014: Nil).

The Company is subject to income tax at the rate of 25% on its taxable income according to the PRC Enterprise Income Tax Law, effective from 1 January 2008.

The major components of income tax expense for the years ended 31 December 2015 and 2014 are as follows:

	2015 RMB'000	2014 RMB'000
Current – Mainland China		
Charge for the year	-	24,991
Deferred:		
Relating to origination of temporary differences	(6,066)	(5,354)
Total tax charge for the year	(6,066)	19,637

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate, is as follows:

	2015 RMB'000	2014 RMB'000
Profit/(Loss) before income tax	(25,116)	77,416
Tax at the applicable tax rate of 25%	(6,279)	19,354
Expenses not deductible for tax	213	283
Tax charge/(credit) at the Group's effective rate	(6,066)	19,637
Effective tax rate	24.15%	25.37%

8. Income tax (continued)

The movements in income tax payable/(receivable) during the years ended 31 December 2015 and 2014 are as follows:

	2015 RMB'000	2014 RMB'000
At beginning of year	13,866	7,597
Provision for the year	-	24,991
Payment during the year	(18,848)	(18,722)
At end of year	(4,982)	13,866

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Provision for impairment of assets RMB'000	Fair value adjustment arising from derivative financial instruments RMB'000	Total RMB'000
As at 1 January 2014	-	3,343	-	3,343
Deferred tax credited to profit or loss during the year	-	1,207	544	1,751
Gross deferred tax assets at 31 December 2014 and 1 January 2015	-	4,550	544	5,094
Deferred tax credited/(charged) to profit or loss during the year	3,150	3,460	(544)	6,066
Gross deferred tax assets at 31 December 2015	3,150	8,010	-	11,160

Deferred tax liabilities

	Fair value adjustment arising from derivative financial instruments RMB'000
As at 1 January 2014	3,603
Deferred tax credited to profit or loss during the year	(3,603)
Gross deferred tax liabilities at 31 December 2014	-

9. Dividends

	2015 RMB'000	2014 RMB'000
Interim special dividend – RMB12.0 cents (2014: Nil) per ordinary share	120,915	-
Proposed final dividend – Nil (2014: RMB 4.0 cents) per ordinary share	-	40,305
Proposed special dividend – Nil (2014: RMB 12.0 cents) per ordinary share	-	120,915
	120,915	161,220

The board of directors of the Company do not propose a final dividend for the year ended 31 December 2015.

10. Earnings/(Loss) per share attributable to ordinary equity holders of the parent

The calculation of the basic loss (2014: earnings) per share is based on the loss (2014: profit) for the year attributable to ordinary equity holders of the parent, and the weighted average number of shares (including Domestic Shares and H Shares) of 1,007,626,000 in issue during the year (2014: 1,007,626,000).

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

11. Inventories

	2015 RMB'000	2014 RMB'000
Raw materials	217,846	244,060
Work in progress	6,245	8,558
Finished goods and merchandises	234,865	286,358
Consigned processing goods	4,187	8,738
	463,143	547,714

Included in inventories as at 31 December 2015 were costs of certain inventories of RMB127,794,000 (31 December 2014: RMB120,190,000), which were carried at a net realisable value.

12. Trade and notes receivables

	2015 RMB'000	2014 RMB'000
Notes receivable from domestic third parties	84,713	149,983
Trade receivables from overseas customers	74,905	243,292
Trade receivables from domestic customers	205,640	167,104
	280,545	410,396
Impairment	-	(975)
	365,258	559,404

The balances of notes receivable are unsecured, interest-free and mature within six months.

Customers are usually required to make payment in advance before the Group delivers goods to them. However, the Group's trading terms with its overseas customers and certain major domestic customers are on credit. The credit period is generally 1 to 45 days extending up to 100 days for certain strategic customers. The Group enters into sales with overseas customers through irrevocable letters of credit or telegraphic transfers. Each domestic customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and interest-free.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 RMB'000	2014 RMB'000
Outstanding balances with ages:		
Within one year	280,492	407,299
Between one and two years	53	3,097
	280,545	410,396

12. Trade and notes receivables (continued)

The movements in provision for impairment of trade receivables are as follows:

	2015 RMB'000	2014 RMB'000
At beginning of year	975	-
Impairment losses recognised/(reversed)	(774)	975
Amount written off as uncollectible	(201)	-
At end of year	-	975

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	280,545	407,098

Receivables that were neither past due nor impaired relate to many diversified customers from whom there was no recent history of default.

Included in the Group's trade receivables were amounts due from Vallourec Oil & Gas (China) Co., Ltd. ("VOGC") of approximately RMB66,432,000 (2014: approximately RMB64,871,000), from Vallourec Oil & Gas France ("VOGF") of nil (2014: RMB177,936,000) and from Vallourec Middle East FZE ("VME") of nil (2014: RMB6,902,000), which were all payable on a credit term of 45 days.

As at 31 December 2015, the Group had pledged notes receivable of approximately RMB55,494,000 (2014: RMB76,807,000) to secure bank accepted drafts issued by banks.

As at 31 December 2015, the Group had pledged trade receivables of approximately RMB219,067,000 (2014: RMB186,205,000) to secure bank loans.

13. Prepayments, deposits and other receivables

	2015 RMB'000	2014 RMB'000
Prepayments	27,916	71,013
Deposits and other receivables	93,392	98,958
Bank interest receivables	113	142
	121,421	170,113
Impairment	-	-
	121,421	170,113

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

Included in the Group's deposits and other receivables were (i) time deposits of RMB62,018,000 to the banks to secure the bank accepted drafts and letters of credit (2014: RMB31,671,000); and (ii) the net input value-added tax ("VAT") of RMB29,762,000 (2014: RMB65,525,000) arising from the purchase of items of property, plant and equipment after deducting the output VAT for domestic sales.

14. Interest-bearing loans and borrowings

	2015			2014		
	Contractual interest rate (%)	Maturity	RMB'000	Contractual interest rate (%)	Maturity	RMB'000
Current:						
Bank loans	0,.95-4.14	2016	219,067	1.43-3.70	2015	186,205

	2015 RMB'000	2014 RMB'000
Analysed into:		
Bank loans:		
Within one year	219,067	186,205

The bank loans as at 31 December 2015 and 31 December 2014 bore interest at fixed rates.

As at 31 December 2015, the Group's loans were secured by the pledge of certain of the Group's trade receivables amounting to RMB219,067,000 (2014: RMB186,205,000).

As at the end of the reporting period, the bank loans were denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
US Dollars	42,117	181,153
RMB	100,000	-
Hong Kong Dollars	76,950	-
Euro	-	5,052
	219,067	186,205

15. Derivative financial instruments

The Group did not have derivative financial instruments as at 31 December 2015.

2014

	Liabilities RMB'000
Foreign exchange forward contracts	2,177
Portion classified as non-current	-
Current portion	2,177

15. **Derivative financial instruments (continued)**

The above foreign exchange forward contracts did not qualify for hedge accounting. The changes in the net fair value losses of RMB2,177,000 were debited to profit or loss during the year ended 31 December 2014 (2015: Nil).

16. Trade and notes payables

	2015 RMB'000	2014 RMB'000
Notes payable to third parties	289,931	184,030
Trade payables to third parties	131,501	122,779
	421,432	306,809

All note payable balances were interest-free and were payable in six months.

All trade payable balances were unsecured, interest-free and generally on a credit term of 30 days.

An aged analysis of the trade and notes payables as at the end of the reporting period, based on the invoice/issuance date, is as follows:

	2015 RMB'000	2014 RMB'000
Outstanding balances with ages:		
Within one year	404,366	287,775
Between one and two years	11,382	11,472
Between two and three years	3,508	2,124
Over three years	2,176	5,438
	421,432	306,809

The notes payable to third parties represent the issued bank accepted drafts, secured by the pledge of certain of the Group's time deposits of RMB59,183,000 and notes receivable of RMB55,494,000 as at 31 December 2015 (2014: time deposits of RMB30,667,000 and notes receivable of 76,807,000).

17. Other payables and accruals

	2015 RMB'000	2014 RMB'000
Advances from customers	39,086	50,000
Payroll payables	41,013	44,080
Other payables	91,851	110,418
	171,950	204,498

Except for a miscellaneous tax payable of RMB8,791,000 (2014: RMB13,416,000) included in other payables, all the balances of other payables and accruals were unsecured, interest-free and had no fixed terms of repayment as at the end of the reporting period.

18. Related party transactions

(a) The Group had the following material transactions with related parties during the year:

	2015 RMB'000	2014 RMB'000
Sales of oil pipes to the subsidiaries of Vallourec (note i)	346,646	645,013
Purchases of services from subsidiaries of Vallourec (note ii)	3,938	2,233
Purchases of water from Tianda Holding (note iii)	577	429
Purchases of materials from fellow subsidiaries (note iv)	302	475
Lease of a dormitory from Tianda Holding (note v)	96	96

18. Related party transactions (continued)

Notes:

(i) Included in the sales during the year ended 31 December 2015 are approximately RMB253,294,000 (2014: RMB336,418,000), RMB88,239,000 (2014: RMB294,245,000), RMB1,259,000 (2014: RMB2,276,000), RMB3,854,000 (2014: RMB11,864,000) and nil (2014: RMB210,000) derived from VOGC, VOGF, Vallourec DEUTSCHLAND GmbH, VME and VAM Changzhou Oil & Gas Premium Equipment Co., Ltd., respectively. The sales were conducted based on mutually agreed terms with reference to market prices, after deducting the agreed commission fees.

(ii) These transactions were carried out based on the agreements between the Group and the subsidiaries of Vallourec.

(iii) The purchases were conducted based on mutually agreed terms with reference to market prices.

(iv) These transactions were carried out based on mutually agreed terms with reference to market prices, as agreed between the Group and the fellow subsidiaries which are controlled by Tianda Holding.

(v) Pursuant to the dormitory lease agreement entered into with Tianda Holding, the Group paid an annual rent of RMB96,200 for the years from 1 January 2012 to 31 December 2015.

(b) Outstanding balances with related parties:

Details of the Group's trade receivable balances with VOGC, VOGF and VME at the end of the reporting period are disclosed in note 12 to the financial statements.

(c) Compensation of key management personnel of the Group:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	3,129	3,513
Retirement benefit contributions	78	79
	3,207	3,592

All the above related party transactions also constitute connected transactions as defined in chapter 14A of the Listing Rules.

19. Event after the reporting period

On 29 January 2016, Anhui Tianda Enterprises Group Co Ltd and Anhui Tianda Investment Co., Ltd. (collectively the “Vendors”) entered into the Sale and Purchase Agreement with Vallourec (the “Offeror”), pursuant to which the Offeror has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the 510,000,000 domestic shares of the Company held by the Vendors (the “Sale Shares”) for total consideration of HK$846,600,000, equivalent to HK$1.66 per Sale Share.

Completion of the Sale and Purchase Agreement upon the fulfilment of the relevant conditions, the Offeror will be required to make an unconditional mandatory cash offer (the “General Offer”) for all the issued H shares (other than those H shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it at the time when the General Offer is made) at not less than HK$1.66 per share, in accordance the Hong Kong Code on Takeovers and Mergers.

Such General Offer is subject to the completion of the Sale and Purchase Agreement. Upon completion of the General Offer, the Offeror proposes to delist the Company from the Stock Exchange of Hong Kong Limited. Such delist resolution is subject to the approval of independent shareholders at the general meeting to be convened by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis relating to the Group's financial and operating conditions should be read in conjunction with the Group's consolidated financial statements and related notes for reference.

BUSINESS REVIEW

In 2015, the global economic growth continued to slow down and the domestic economic growth continued to decelerate with significant downward pressure. The production capacity in the industry was in excess and the trade protection expanded. Under such unfavourable situation, the Group explored new markets externally and reduced costs internally. The Group takes advantages to strengthen its cost management and risk control and adopts the differential and premium business strategy which highlights the characteristics and advantage of the Group's various products. The Group optimises the adjustment of the product mix and customer base structures and it paves solid foundation for development and ensure its sustained and healthy development.

The Group's products are mainly oil pipes, as well as pipes of various classes and specifications for oil and gas transmission, boilers, vessels, automobile axles which are applicable to industries like energy, chemical, mechanical manufacturing etc. During the year under review, the Group's realized total production volume was about 607,200 tonnes, representing a decrease of approximately 12.6% as compared to the corresponding period last year. The decrease was mainly due to the Group's strengthening adjustment of the product mix structure and marketing structure in order to improve its profitability and to eliminate against market risks.

The Group put emphasis on the market promotion and exploration, and actively implement network marketing and promotion. The use of network marketing model "Internet + Steel pipe" brings new opportunities for the industry development and it enables the Group to enhance promotion of new products and new technologies, and to explore new markets and new customers.

During the year under review, in the domestic market, the Group continued to consolidate the strategic co-operative relationships with the China's four major oil companies as well as large-scaled boiler, shipbuilding factories; obtained the certification from the Russian Maritime Register of Shipping (RS) which is a further recognition in addition to the certifications from other nine large-scaled Classification Societies - CCS, ABS, LR, DNV, GL, BV, NK, KR and RINA that the Group previously obtained. With the support of Vallourec and being the premium oil pipe suppliers of China National Petroleum Corporation ("CNPC") and China National Offshore Oil Corporation ("CNOOC"), the Group participated actively in the tendering activities organized by oil companies and successfully obtained orders. However, due to the influence of the declining trend of oil price, the oil enterprises reduced their exploitation plans and the oil pipe supply was reduced. The realized sales volume in domestic market in aggregate for the year was 421,110 tonnes, representing 69.5% (2014: 67.9%) of the Group's total sales volume.

During the year under review, in the overseas market, the Group has overcome the adverse factors including the persistently weak global economy and the enlarging trade barriers, and developed the emerging markets, especially focused on Cuba, Pakistan, United Arab Emirates, Oman and Kuwait, with the support of Vallourec. The Group strengthened the certification from the international oil companies, and successfully passed the market-entry qualification of the oil companies led by certain international well-known oil company which enables the Group to further optimise its product mix structure and customer bases structure with main focus on the large-scaled projects. During the year, the Group realized sales volume of 184,720 tonnes in overseas market, representing 30.5% (2014: 32.1%) of the Group's total sales volume.

On 7 November 2014, the Group entered into the New Sales Agreement with VOGF, VOGC, VME and Vallourec Asia Pacific Corp Pte Ltd, the subsidiaries of Vallourec, which was effective for 3 years upon the independent shareholders' approval in the special general meeting held on 23 January 2015. The Group continues to consolidate the strategic co-operative relationship with Vallourec. The Group's export sales of oil pipes are stabilised, the production flows are optimized and the quality of products are improved with the assistance of Vallourec. In 2014, the Group had been granted the market-entry qualification by certain international well-known oil company.

The Group and Vallourec have successfully continued their cooperation in the OCTG field with excellent results in terms of quality and delivery time. Qualifications of the Group's facilities have been awarded by major customers. The experience and technical know-how brought by Vallourec has helped the Group to improve the production capability and the accuracy of the quality control.

The Group closely monitors changes in customer demand, enhanced technology marketing services, and constantly develops new products to meet market demand and provides standardized products and services for customers. During the year under review, the Group continued to carry out detailed studies for the environment and technology for the exploitation of shale gas, and continued to carry out research and development of high-steel, anti-corrosive oil pipes products applicable to exploitation of shale gas or other non-conventional natural gas and applicable in various adverse geological environment. Meanwhile, making use of the sophistical R&D technique and experience of oil pipes and focusing on highlighting the characteristics and advantages of the products, the Group developed new products such as Q125EP high collapse-resistant shale gas exploitation pipe, and line pipes like 25T, X65Q, X70Q etc., and series of new products including P2, T1a, WB36, BS3059 Gr440,09Cr2AlMoRe alloy boiler tubes and heat conversion tubes. During the year under review, the Group's seamless steel pipe products won the award of "Industrial Masterpiece of Anhui"（安徽工业精品）and its high-steel grade anti-H2S corrosion special thread casing and tubing was granted the second graded award of Tianchang City Science and Technology Progress Awards (天长市科技進步獎二等獎). The Group also obtained two new applicable patents for 《油套管接箍涂漆装置》and《硼砂喷吹装置》.

During the year under review, the Group's testing centre passed the accreditation from the China National Accreditation Board for Conformity Assessment (CNAS) and its technology center has been recognized as a provincial enterprise technology centre which symbolizes that the Group's technical research and development goes up into the new level.

FINANCIAL REVIEW

Comprehensive income

The Group recorded a total revenue of approximately RMB2,032,445,000 in 2015, representing a decrease of approximately RMB849,510,000 or approximately 29.5% when compared to approximately RMB2,881,955,000 in 2014. The decrease in revenue was mainly attributable to the factors including the imbalance of market supply and demand, the fierce market competition and the decrease in average pricing of raw material steel. The average selling price per tonne of product was decreased from approximately RMB4,239 in 2014 to approximately RMB3,355 in 2015, representing a decrease of approximately 20.9%, and the sales volumes was decreased from 679,790 tonnes in 2014 to 605,830 tonnes in 2015, representing a decrease of approximately 10.9%.

Gross profit

During the year, the Group reported a gross profit of approximately RMB85,916,000, representing a decrease of approximately RMB160,515,000 or approximately 65.1% when compared to approximately RMB246,431,000 in 2014. The Group's gross profit margin was approximately 4.2% for the year, representing a decline of 4.4 percentage point compared to 8.6% recorded in 2014. The decrease in gross profit and gross profit margin are mainly due to: (1) The competition was fiercer as a result of the decrease in market demand. Despite the Group's active adjustments of product and customer base structures, the sales volume was still adversely influenced by the change in demand which led to a double-digit decrease; (2) The market selling price of products was decreased to a greater extent than the decline in market cost of raw materials. As further responses to changes, the Group will continue to explore potential for innovation and for reducing manufacturing costs in all aspects; continue to actively adjust the product and customer base structures and enhance product quality and added-value; and conduct market research and analysis of raw materials to seize the opportunity of purchases which enables to reduce raw material procurement costs to the greatest extent and to improve profitability.

Other income and gains

For the year ended 31 December 2015, the Group's other income and gains amounted to approximately RMB50,933,000, representing an increase of approximately RMB14,847,000 or 41.1% as compared to RMB36,086,000 for 2014. The increase in other income and gains was mainly attributable to the increase in investment income from bank short-term financial products and gain from forward foreign exchange contracts on export receipts which was benefited from the Group's continuously improvement in working capital management and usage efficiency giving rise to the increase in the cashflow generated from operating activities.

Selling and distribution expenses

For the year ended 31 December 2015, the selling and distribution expenses of the Group was about RMB107,933,000, representing a decrease of approximately RMB32,238,000 or approximately 23.0% when compared to approximately RMB140,171,000 in 2014. The decrease was mainly due to the decrease in the Group's freight costs as a result of decrease in export sale volume of products and various cost-reducing measures implemented by the Group.

Administrative expenses

For the year ended 31 December 2015, the Group's administrative expenses was approximately RMB43,109,000, representing an increase of approximately RMB3,858,000 or approximately 9.8% when compared to approximately RMB39,251,000 in 2014. The increase was mainly due to the strengthened control over expenses and increase in provision made by the Group for inventories and in relation to management and control risks under the environment where the market price going down persistently.

Finance costs

The finance costs of the Group for the year ended 31 December 2015 amounted to approximately RMB8,654,000 (2014: approximately RMB6,853,000), representing an increase of approximately RMB1,801,000 or approximately 26.3% when compared with 2014. The increase was mainly due to the increase in interest expense for the increased trade financing debts as a result of better utilization of fund for investment purposes.

Net profit/(loss)

The Group's net loss attributable to owners of the parent company for the year was approximately RMB19,050,000 (2014: net profit of approximately RMB57,779,000). When compared with 2014, net profit attributable to equity holders decreased by approximately RMB76,829,000 or approximately 133%. The decrease was mainly due to the decrease in the Group's gross profit as a result of the decrease in market demand as mentioned above.

Inventories

The Group's inventories as at 31 December 2015 were approximately RMB463,143,000 (31 December 2014: approximately RMB547,714,000), representing an decrease of approximately RMB84,571,000 or 15.4% as compared with 2014. The decrease in inventories was mainly due to the fact that the Group continued to strengthen cost and risk control and the decrease in cost of raw materials and finished goods.

Net assets

The Group's net assets as at 31 December 2015 were approximately RMB1,924,733,000 (31 December 2014: approximately RMB2,225,918,000). The net assets per share as at 31 December 2015 were approximately RMB1.91 (31 December 2014: approximately RMB2.21).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group's cash and cash equivalents amounted to approximately RMB827,763,000 (31 December 2014: approximately RMB474,910,000). The cash and cash equivalents was increased by approximately RMB352,187,000 as compared with 2014 which was mainly due to the fact that the Group strengthened the management over inventories, trade receivables and trade payables during the year, as well as the application of increased funds to investment in bank financial products. As at 31 December 2015, the Group's interest-bearing loans and borrowings included bank loans of US$6,486,000, HK$91,847,000 and RMB100,000,000, equivalent to approximately RMB219,067,000 in aggregate (31 December 2014: approximately

US$29,605,000 and Euro 677,000, equivalent to approximately RMB186,205,000 in aggregate). Bank loans of the Group bore interest at rates ranging from 0.95% to 4.14% per annum in 2015 (2014: ranging from 1.43% to 3.70% per annum). Generally, the Group's bank loans in 2005 are mainly low-cost short-term trade finance loans denominated in foreign currencies.

The Group's focus on sound financial management and, in the period when the industry competition was fierce and the demand was weak, reduced the bank loans and borrowing as much as possible, reduced the financial costs, implemented timely management over forward foreign exchange contracts against US$ denominated receipts and applied excess fund in short-term bank financial products. Meanwhile, the Group continued to improve the usage efficiency of cash and has always been committed to building long-term relationship of mutual trust with major banks. This has provided sound support to the long-term financial position of the Group. As at 31 December 2015, the Group's debt to asset ratio was approximately 7.7% (31 December 2014: approximately 6.3%), which was interest-bearing loans and borrowings divided by total assets and presented in terms of percentage.

CHARGES ON ASSETS

Save as those pledged time deposits of RMB62,018,000, notes receivable of RMB55,494,000 and trade receivables of RMB219,067,000 for issuing bank accepted drafts, letter of credit, forward foreign exchange contracts and bank loans, as at 31 December 2015, none of the Group's property, plant and equipment and other bank deposits were pledged for securing banking facilities.

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2015, the Group did not approve any significant investment plans.

On 22 March 2014, the Group's Board of Directors approved (1) the investment in construction of a provincial technology centre of RMB7,800,000 and such technology centre is in operation during the year and the acceptance was completed; (2) investment in technological reform of production equipment of RMB11,000,000 and such investment (except for certain testing equipment) has been completed in 2014 and 2015 by stages; (3) investment in Chuzhou staff dormitory project is still in the surveying process.

Save as above, the Group did not authorise other significant investments during the year under review.

MAJOR ACQUISITION AND DISPOSAL

The Group did not make any major acquisition or disposal during the year ended 31 December 2015.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities.

FUTURE PROSPECT

In 2016, the China's economic development has entered a new norm. The China's economy maintains a medium to high speed growth and the macro-economy has more focuses on the supply-side structural reform under the conditions where the demands are properly enlarged. Though it is probable that the industry will face various challenges in short run, the structure of the industry itself will be optimized in long run when the issues of excess capacity are resolved and it will bring unprecedented opportunities to the industry.

In 2016, the Group will seize the opportunities, based on the existing equipment advantage, and highlight the characteristics and advantages of the Group's various products. With more integration of "production, marketing, research and customers", the Group will be more closer to the new markets. While adjusting product structure, the Group simultaneously adjust the customer base structure. As regards oil casing, the Group continues to carry out research and development on corrosion-resistant pipeline, high strength marine pipe and offshore line pipe, and carry out other research and development on new products like steel pipes for automobiles, 1K high-strength alloy pipes, initiates the application for certification of "the civil nuclear safety equipment manufacturing license" and completes the certification of ABS marine platform pipes and the enlarged certification of CNAS which includes the hydrogen sulfide testing standards into the scope of certification.

In 2016, the Group will continue to actively develop and maintain domestic and foreign markets, strengthen the technical marketing efforts, actively promote new network marketing model "Internet + Steel pipe", consolidate and strengthen the strategic partnership with the oil companies, increase the supply volume of oil pipe, boiler pipe, vessel pipe and alloy steel pipe, and obtain market access certification from more well-known international oil companies, boiler and shipbuilding enterprises.

With the strategic cooperation with VALLOUREC, the Group, making use of its overseas sales network resources, receives a lot of orders for oil pipes to achieve continuous growth in sales volume in the overseas oil pipe market, and at the same time, to carry out actively the research and development on high-end products in order to meet the demand in future. As regards the Sale and Purchase Agreement, it is in the process of reporting procedures to the relevant departments of the PRC government pursuant to the Company's announcements.

FOREIGN EXCHANGE RISK

Generally, when the Group sells its products to overseas customers, it is dealing in United States dollars. The Group's books are prepared in RMB whereas the receivables from overseas customers may be subject to foreign currency fluctuations.

During the year under review, the Group applied forward currency contracts to hedge against exchange risk resulting from overseas sales transactions. Forward currency contracts should be denominated in the same currency with the transactions to be hedged. It is the Group's policy to enter into forward currency contracts after attaining confirmed orders from customers.

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

PRODUCT INFORMATION

1. Self-produced specialized pipes

For the year ended 31 December 2015, the sales volume of the Group's self-produced specialized pipes was approximately 603,010 tonnes (2014: approximately 675,010 tonnes), representing a year-on-year decrease of approximately 10.7% when compared to 2014.

2. Sourcing and distribution of specialized pipes

Apart from the self production of specialized seamless pipes to cater for the demand from the Group's customers, the Group has also been providing one-stop services to its customers by assisting its customers to source and distribute other specialized seamless pipes of different specifications and kinds not yet manufactured by the Group, so as to speed up the customers' sourcing pace and reduce their costs of sourcing, thereby providing the customers with all-round services, and enabling the Group to timely capture market conditions and trends in customer needs.

For the year ended 31 December 2015, the sales volume of the Group's sourcing and distribution of specialized pipes was approximately 2,820 tonnes (2014: approximately 4,780 tonnes). When compared to 2014, the sales volume of the sourcing and distribution of specialized pipes declined by approximately 41.0%.

By reacting to customer needs and keeping abreast of the Group's actual business needs, the Group timely converted some products from external procurement to self production. Although there was a decline in the sales volume of the sourcing and distribution of specialized pipes during the period under review, the Group's business strategy for the sourcing and distribution of specialized pipes remained unchanged.

HUMAN RESOURCES

The Board 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 31 December 2015, the Company had 1,585 employees (as at 31 December 2014: 1,762 employees). The decrease in number of employees was one of the Group's measure for strengthening cost control and it was achieved with measures including technological upgrade of equipment. Lower head-count with higher efficiency was resulted from increase in the employee's work efficiency, overall ability and enterprise recognition.

The Group's remuneration package includes salaries, incentives (such as bonus based on work performance) and allowances. The Group also provides social security and benefits to its employees. Adequate provisions have been made in the accounts based on the provisions of the PRC government.

The Group is committed to maintaining good corporate culture. We are people-oriented, and focus on enhancing team cohesion and motivating staff morale incentives through establishment of a remuneration mechanism with both external competitiveness and internal equity.

CORPORATE GOVERNANCE REPORT

It is our longstanding belief that a high standard of corporate governance is the key for the Group's stable and effective operation and is in the long-term interests of shareholders. Throughout the year ended 31 December 2015, the Group has complied with the relevant regulations in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for the deviation from the code provision A.1.8 of the Code. The Board and the senior management of the Group have earnestly appraised the requirements of the Code and reviewed the practices of the Group to ensure full compliance with the Code.

Under the code provision A.1.8, the Group should arrange appropriate insurance cover in respect of legal action against its directors. However, as the Group's business are relatively unitary, the Directors can easily comprehend these businesses. At the same time, the Directors are equipped with the adequate spirit and expertise in making corporate decisions. Furthermore, the Directors consider that the management has placed emphasis on control cover corporate risks from time to time, and has strictly complied with the Listing Rules and the relevant regulations. Therefore, it is not necessary to purchase insurance for the Directors and Chief Executive.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the rules set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules as the code for dealing in securities of the Group by the Directors (the "Code"). All directors have complied with the required standard as set out in the Code since the listing of the Company.

DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS

For the year ended 31 December 2015, the directors are not aware of any business or interest of the directors, the supervisors and management shareholders of the Group and their respective associates (as defined under the Listing Rules) that compete or may compete (directly or indirectly) with the business of the Group and any other conflicts of interests which any such person has or may have with the Company. All directors have confirmed that they have complied with the non-competition provisions under their respective service contracts with the Group since the listing of the Company.

FINAL DIVIDEND

The board do not recommend the payment of any final dividend in respect of the year ended 31 December 2015.

SPECIAL DIVIDEND IN CONNECTION WITH THE SALE AND PURCHASE AGREEMENT

On 29 January 2016, Anhui Tianda Enterprises Group Co Ltd and Anhui Tianda Investment Co Ltd (collectively the "Vendors") entered into the Sale and Purchase Agreement with Vallourec (the "Offeror"), pursuant to which the Offeror has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the 510,000,000 Domestic Shares in the Company held by the Vendors for total consideration of HK$846,600,000, equivalent to HK$1.66 per Sale Share. Please see the announcement of the Company dated 2 February 2016 for more details (the "Announcement").

The Offeror and the Vendors have agreed in the Sale and Purchase Agreement to procure that the Company distributes a special dividend prior to the Effective Transfer Date (as defined in the Announcement). The special dividend shall be an amount determined by the Board which does not exceed the maximum amount of distributable (under applicable laws) and undistributed retained profits of the Company as appearing in the Company's audited financial statements for the year ended 31 December 2015 and is subject to the Board passing resolution regarding the special dividend and submit such proposal for the shareholders' approval in the general meeting to be held in later this year. As at 31 December 2015, the maximum amount of distributable and undistributed retained profits of the Company is approximately RMB 303,758,000.

The Board has not yet reviewed any resolutions regarding the special dividend. In accordance with the Listing Rules, an announcement will be made immediately after the Board approves any decision regarding the declaration, recommendation or payment of the special dividend.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the audited financial statements for the year ended 31 December 2015. The Audit Committee currently comprises two independent non-executive directors, Mr. Zhao Bin and Mr. Wang Jie and one non-executive director Mr. Liu Peng. Mr. Zhao Bin is the chairman of the Audit Committee. The audited financial statements of the Group for the year ended 31 December 2015 have been reviewed by the Audit Committee.

ANNUAL GENERAL MEETING

A notice of AGM will be published and dispatched to shareholders in the manner as required by the Listing Rules in due course.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Nether the Company nor any of its subsidiaries purchased, sales or redeemed any of the Company' listed securities during the year ended 31 December 2015.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information of the annual results of the Company for the year ended 31 December 2015 required by paragraphs 45(1) to 45(8) of Appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

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, 31 March 2016

As at the date of this announcement, the Board comprises Ye Shi Qu, Zhang Hu Ming and Fu Jun as executive directors; Liu Peng and Bruno Saintes as non-executive directors; and Zhao Bin, Wang Bo and Wang Jie as independent non-executive directors.