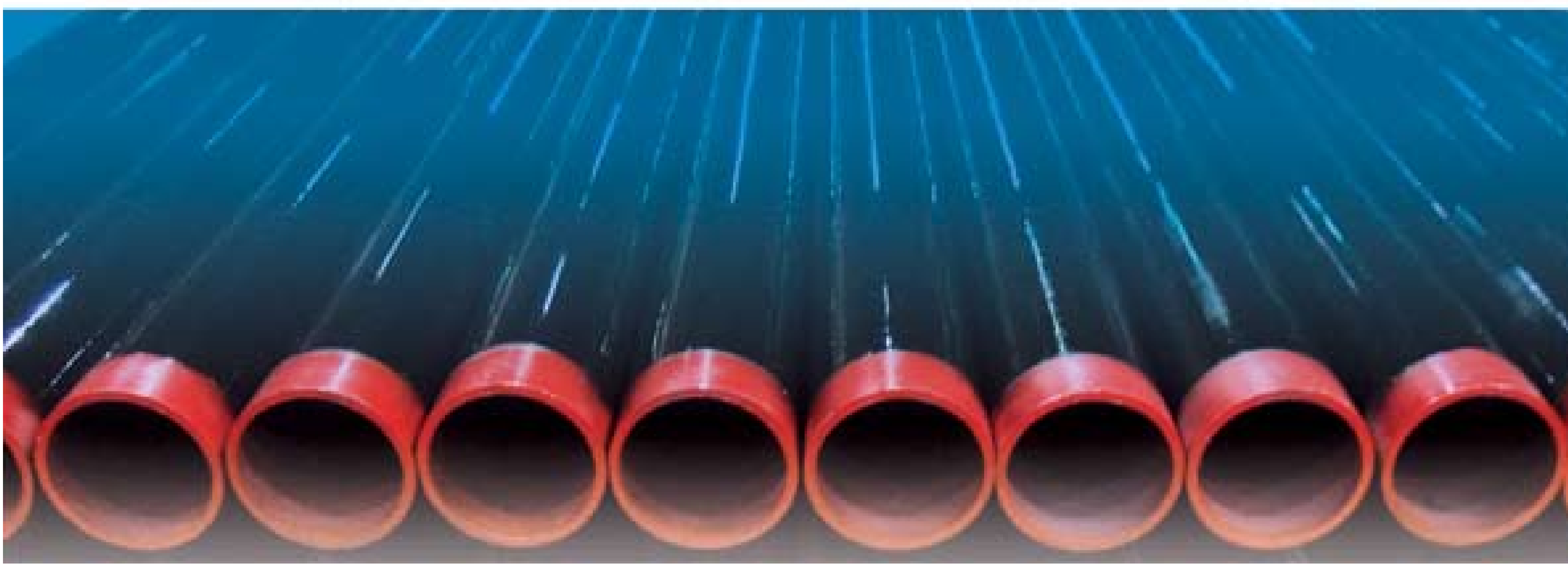
Anhui Tianda Oil Pipe Company Limited

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)



Annual Report 2007

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

ZHANG Jian Huai
LIU Peng

Independent Non-executive Directors

WU Chang Qi
ZHAO Bin
LI Chi Chung

Supervisors

LIU Jun Chang
YONG Jin Gui
YANG Quan Fu

COMPLIANCE OFFICER

ZHANG Hu Ming

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

HO Kin-cheong, Kelvin

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDIT COMMITTEE

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

RECEIVING AGENT

ICBC (Asia) Trustee Company Limited
33/F ICBC Tower,
3 Garden Road,
Central, Hong Kong

REMUNERATION AND NOMINATION COMMITTEE

WU Chang Qi *(Chairman)*
ZHAO Bin
XIE Yong Yang

REGISTERED OFFICE

Zhenxing Road
Tongcheng Town
Tianchang City, Anhui Province
The PRC

AUDITORS

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

PRINCIPAL BANKERS

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

OFFICIAL WEBSITE

http://www.td-gg.com

INVESTOR RELATIONS OFFICE

Zhenxing Road
Tongcheng Town
Tianchang City, Anhui Province
The PRC
Hotline: (86 550 7518500)

FINANCIAL SUMMARY

	2007 RMB'000	2006 RMB'000	2005 RMB'000	2004 RMB'000
Profit and loss items				
Revenue	**1,575,481**	1,265,314	906,590	333,645
Gross Profit	**298,843**	251,775	144,181	45,592
Net Profit	**183,742**	118,491	71,874	74,100
Balance sheet items				
Total non-current assets	**483,051**	370,210	280,546	275,442
Total current assets	**883,685**	788,361	305,103	86,507
Total assets	**1,366,736**	1,158,571	585,649	361,949
Total non-current liabilities	**14,837**	35,000	85,000	65,000
Total current liabilities	**356,164**	286,199	189,347	170,480
Total liabilities	**371,001**	321,199	274,347	235,480

Turnover for the year ended 31 December 2007 amounted to approximately RMB1,575,481,000 (2006: RMB1,265,314,000), representing an increase of approximately 24.5% as compared with that in 2006.

Net profit for the year ended 31 December 2007 amounted to RMB183,742,000 (2006: RMB118,491,000), representing an increase of approximately 55.1% as compared with that in 2006.

FINANCIAL SUMMARY

KEY OPERATIONAL DATA

Key operational indicator	**2007 (tonnes)**	2006 (tonnes)	2005 (tonnes)	2004 (tonnes)
	Year			
Sales volume of self-produced products				
Oil well pipes	**181,315**	144,613	94,063	255
Others	**67,128**	54,533	34,447	22,861
Total	**248,443**	199,146	128,510	23,116
Comprising: Export sales	**47,970**	15,110	3,590	472
Total production volume	**260,000**	207,100	135,000	25,300
Total production capabilities	**300,000**	300,000	200,000	25,000
Utilization rate of production capabilities	**86.7%**	69.0%	67.5%	>100%

The above utilization rates are for information purpose only and is calculated by dividing production by designed capabilities.

CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "**Board**") of Anhui Tianda Oil Pipe Company Limited (the "**Company**"), I am pleased to announce the report and the audited financial statements for the year ended 31 December 2007 to our shareholders.

(Chairman: Ye Shi Qu)

BUSINESS REVIEW

The results of the Company have been steadily growing in the previous year. The revenue of the Company for the year ended 31 December 2007 was RMB1,575,481,000, representing an increase of 24.5% from the last year. The net profit attributable to equity holders were approximately RMB183,742,000, representing an increase of 55.1% from the last year, The results reflected the relentless efforts for business development of the Company.

The technology upgrade projects of the heat treatment of oil well pipes with annual capacity of 100,000 tonnes and the threading of oil well pipes with annual capacity of 100,000 tonnes have commenced in January and July 2007, respectively. The construction and the commencement of the production of the heat treatment and threading advanced processing projects have further increased the added-value of the oil well products and the profitability of the Company as well as optimized its product mix.

The oil well pipe products of the Company after advanced processing have been examined by the Tubular Goods Research Center of Chinese Petroleum Natural Gas Group Company, an authority in the People's Republic of China (the "**PRC**"), with results showing each of the performance indicators are higher than the standards set by American Petroleum Institute (the "**API**"). With respect to market development, the Company was selected by China National Petroleum Corporation (the "**CNPC**"), China Petroleum and Chemical Corporation ("**Sinopec**") and China National Offshore Oil Corporation ("**CNOOC**") to act as a qualified supplier of the oil well pipes of these three oil companies.

(the advanced processing line for threading)

CHAIRMAN'S STATEMENT

The Company has been actively developing new market overseas while developing and optimizing its domestic market. The overseas operations of the Company grew substantially in 2007, with export sales amounted to approximately RMB283,188,000, representing 18.0% of the total sales of the Company.

The Company strives to promote and optimize its one-stop services by planning of manufacturing certain products with higher value-added instead of sourcing from outside at times and developing new products in order to adapt the market demand.

The Company has, based on its management practices, business processes and information needs, successfully applied the Enterprise Resources Planning (ERP) management system to enhance its whole process of the procurement, storage, financial and sales management. The above efforts have optimized the corporate resources, strengthened the responsiveness, improved the competitiveness and the overall efficiency.

In 2007, the Company commenced the construction project of a new high-grade oil well pipe production line (the "**Phase II of the 861 Action Plan**"). The new production line which has an annual production capacity of 300,000 tonnes is expected to commence production in late 2009, whereby the production capacity of the Company will be increased to 650,000 tonnes. The new high-grade oil well pipe products which have better pressure resistant and anti-corrosion features can be used for deep well drilling and offshore oil wells drilling as well as in harsher geological condition and oil wells with complicated oil and gas contents. It is expected that markets with enormous potential will be opened up to the Company upon the completion of the project.

On 24 December 2007, the overseas listed foreign-invested shares ("**H shares**") of the Company have been migrated to the main board (the "**Main Board**") of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") from the Growth Enterprise Market (the "**GEM**") of the Stock Exchange.

FUTURE PROSPECTS

To sum up, the year 2007 was an important year for the Company. Along with the persistent growth in demand for energy both domestically and internationally, the capital expenditures on oil exploration had been increased continuously, thus further increased the equity investment of the oil exploration equipments including oil well pipes. While the supply and demand of middle to lower-ended oil well pipes moved into balance, the costs of raw materials and production costs were increasing. With the development of offshore oilfields and polar region's oilfields and oil wells with harsher geological conditions associated with high pressure and high erosion in succession over the coming few years, the demand for high grade oil well pipes is expected to increase over time. Facing the evolvement of competition patterns in products and the costs of both the raw and ancillary materials and production costs, the Company will make larger investment in research and development, strengthen the management and technology advancement, increase the utilization efficiency of equipments and uphold the construction progress of the technology upgrade projects of high grade oil well pipes and expand into the domestic and international markets with a view to capture larger market share, maintain rapid and stable results growth and sustainable profitability.

The Company has been closely monitoring the market trends of the oil well pipes and other specialized pipes, participating the industry communion, actively seeking strategic business partners both domestically and internationally, cooperation opportunities and possible merger and acquisition with operators in the industry as and when appropriate.

I together with the Board are confident in the future development of the Company. The Company will continue its professional management and technology teams by leveraging on the Company's in-depth understanding of the economic development in the PRC and the oil well pipes industry and innovation of advance technology and management mindset. The Company and its staff have confidence in overcoming any new challenges and maintaining rapid and stable results growth.

ACKNOWLEDGEMENT

Finally, on behalf of the board of directors of the Company, I would like to take this opportunity to thank all our employees for making all this possible through their dedication, hard work and loyalty. I am also grateful to my fellow directors for their support and advice. Together, we will continue to strive for creating long term value for our shareholders in 2008.

Ye Shi Qu
Chairman

Anhui, the PRC, 29 February, 2008

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

During the year, the Company has, according to its annual plans, carried on its priority tasks including increasing investment in research and development and customer base and optimizing its product mix and customer base, persisting the technology advancement of product lines, increasing the efficiency of equipments and promoting lower cost-efficiency rate. The production scales are stably increasing and the heat treatment and threading advanced processing are generating benefits with steady steps. The various production and operation indicators have been improving and the overall production situation is satisfactory and the Phase II of 861 Action Plan has been progressing favorably.

A. Enhancing research and development, optimizing product mix and customer base

The Company continued the research and development of new products whereas approximately 65,200 tonnes of high value-added and high grade oil well pipes including P110, N80 and L80 together with approximate 9,040 tonnes of oil well pipes with round and buttress thread complying with the standard of API were developed, produced and sold during the year under review. Product mix of the Company was being strengthened.

(the final products of oil well pipes after threading)

The Company has commenced the development of the Cr series of oil well pipes (such as 9Cr-L80, 13Cr-L80, C90 and T95) with anti-corrosion (H_2S and CO_2) features and that are able to meet the required strength of oil and gas fields connections and threading connections, aiming at strengthening the research and development of the pipe threading skills and developing special type of oil well pipe product threading.

During the year, the Company purchased the state-of-the-art Premium Quality Finishing PQF® 3-roll six stacks continuous pipe rolling mill from SMS MEER Gmbh, a renowned Germany company, and from NOV Tuboscope, a division of National Oilwell Varco, LP, a company in the United States, acquired certain ultrasonic inspection equipments.

B. Promoting with technology upgrade, reducing costs and wastes and improving effectiveness

The Company has aggressively initiated the application of new know-how and skills while continuing its technology upgrade of oil well pipe production lines. Utilization rates of equipments have been increased. For the year ended 31 December 2007, the Company's actual sales volume of self-produced products was approximately 248,443 tonnes (for the year ended 31 December 2006: approximately 199,146 tonnes), an increase of approximately 49,297 tonnes or a growth of approximately 24.8% as compared to the previous year. Utilization rate of production equipment was approximately 86.7%, being 17.7 percentage points higher than in the previous year. Average production yield ratio was approximately 91.6%, being 1.0 percentage points higher than the previous year.

C. Advanced processing project launched for production and start realizing benefits

The oil well pipe heat treatment processing line with annual capacity of 100,000 tonnes and the technology upgrade project of oil well pipe threading with annual capacity of 100,000 tonnes have successfully completed its installation and debugging and commenced commercial production. For the year ended 31 December 2007, the sales volume of heat treated and threaded products (the production line of threading just commenced operation in July 2007) were 65,200 tonnes and 9,040 tonnes. The heat treated and threaded oil well pipes have further increased the value-added of products and the Company's profitability.

D. Putting more efforts in marketing and optimizing the domestic and overseas customer base

The Company participated in the 7th China International Petroleum & Petrochemical Technology and Equipment Exhibition held in Beijing in April 2007, the 3rd International Tube Expo 2007 held in Shanghai in May 2007 and the Shanghai-China Petroleum E-Commerce Expo 2007 (2007上海中國石油電子商務博覽會) held in Shanghai in June 2007.

During the year, the Company emphasized on the development of direct selling to large oil fields customers and was selected by CNPC, Sinopec and CNOOC to be a qualified supplier of the oil well pipes of these three oil companies in an public recruitment.

While its position in the domestic market is exploited and consolidated, the exploration of new overseas markets has always been an emphasis. Currently, products are mainly exported to the United States, France, Italy, Korea, Singapore and Indonesia, etc. During the year, the Company recorded approximately RMB283,188,000 of export sales in total, representing approximately 18.0% to the total revenue of the Company (for the year ended 31 December 2006: approximately RMB89,947,000, representing approximately 7.1% of the total revenue), an increase in export sales of approximately RMB193,241,000 or a growth of approximately 214.8%, as compared to the previous year. The increase in export sales has further enhanced the customer base of the Company. The Company has placed close attention to the changes in the exchange rate between RMB and United States dollars together with those for the export tax refund policy of the nation and overseas freight costs. Relevant policies concerning export product pricing and freight costs re-invoicing have been implemented to mitigate the effects of the aforementioned changes to the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

In order to explore markets and extend the recognition of the Company and its products, the Company applied and has obtained the trademark in Hong Kong and Singapore in 2007, while the application in the United States, Canada and Korea is in process.

天大
TIANDA

(Trademark)

E. Improving the capabilities and standards of one-stop services

The Company kept on strengthening logistics and one-stop services, expanding the scale of service and personalized service standard. For the year ended 31 December 2007, having certain high value-added products being self-produced, sales volume from sourcing and distributions of the Company was approximately 49,880 tonnes (for the year ended 31 December 2006: approximately 45,661 tonnes). One-stop services not only improved the speed and costs of procurement of our customers by offering all-rounded assistance, it also help to collect the most accurate and timely market information which enables the Company to better understand the needs of its customers and to adjust its product mix sensibly to meet customers demand.

F. Progressing in the implementation of the Phase II of the 861 Action Plan

During the year under review, the Company was actively rolling out the high grade oil well pipe project. Through appointing CISDI Engineering Company Limited to act as its engineering subcontractor for the project, the civil engineering has commenced and the main types of equipments have been purchased by an international bidding process and the Company confirmed the selection of technology and know-how.

In the project, the Company introduced from Germany the most advanced Premium Quality Finishing PQF® 3-roll pipe six stacks continuous pipe rolling mill, which is the most important core equipment in the oil well pipe production line under construction. The equipment represents the latest and state-of-the-art equipment in the world whose introduction has enhanced the technology, know-how in the pipe production and the quality and value-added of products of the Company. It will also increase the Company's production capacity of oil well pipes and improve its competitiveness in the domestic and international markets.

The Company will disclose the progress of its high-grade oil well pipes project on a timely basis as required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

G. Listing on the Main Board

On 24 December 2007, the listing of the H shares was successfully migrated to the Main Board from the GEM.

FINANCIAL REVIEW

For the year, the Company recorded total revenue of approximately RMB1,575,481,000. Compared to the amounts of approximately RMB1,265,314,000 in 2006, there is an increase of approximately RMB310,167,000 or a growth of approximately 24.5%. For the year, the Company recorded gross profit of approximately RMB298,843,000. Compared to the amounts of approximately RMB251,775,000 in 2006, there is an increase of approximately RMB47,068,000 or a growth of approximately 18.7%. This increase in revenue 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. The commencement of production of the Company's heat processing and threading production lines in January and July 2007, respectively, has also contributed to this increase in revenue.

Selling and distribution expenses increased to approximately RMB52,482,000 for the year ended 31 December 2007 (2006: approximately RMB41,495,000). The increase of RMB10,987,000 as compared with last year was due to the growth of the Company's turnover and export operations, the expansion of the overseas clients base and the more expensive international freight costs incurred by the Company as a result of increased overseas sales.

Administrative expenses increased to approximately RMB36,786,000 for the year ended 31 December 2007 (2006: approximately RMB17,682,000). Compared with previous year, there is an increase of approximately RMB19,104,000, primarily as a result of the increase in the overheads of the Company including non-recurring professional fees of approximately RMB12,100,000 incurred for the migration of the Company's H shares to be traded on the Main Board, the recurring overheads incurred in Hong Kong for the Company being a Hong Kong listed company, 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.

The Company's finance revenue for the year ended 31 December 2007 was approximately RMB11,175,000, representing approximately five times of that in 2006 of RMB2,226,000. This was primarily attributable to the interest received for the term deposits of the unused listing proceeds from the listing of the Company's H shares on the GEM on 1 December 2006 (the "**GEM Listing**"). The Company's finance costs increased by approximately 61.5% from approximately RMB8,874,000 for the year ended 31 December 2006 to approximately RMB14,333,000 for the year ended 31 December 2007, primarily as a result of the foreign exchange loss because of the appreciation of RMB against Hong Kong dollars 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company's income tax expense was approximately RMB32,318,000 (2006: approximately RMB72,302,000) for the year, representing a decrease of approximately RMB39,984,000 as compared with that in the previous year, primarily as a result of the investment tax credits of approximately RMB38,668,000 resulted from the acquisition of domestically produced equipment for the newly-built heat treatment and threading production lines of the Company in 2007.

The Company's net profit attributable to equity holders amounted to approximately RMB183,742,000 (2006: approximately RMB118,491,000) for the year, representing an increase of approximately RMB65,251,000 or approximately 55.1% as compared with the net profit attributable to equity holders in the previous year. Such increase was mainly attributable to increase in sales of oil well pipes and the commencement of sales of the oil well pipes after heat treatment and threading processing and increased economies of scale, as well as the being benefited from the investment tax credits in relation to the acquisition of domestically produced equipment.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2007, the Company's cash and bank deposits amounted to approximately RMB292,707,000 (2006: approximately RMB436,429,000). As at 31 December 2007, the Company's interest-bearing loans and borrowings amounted to approximately RMB84,587,000 (2006: approximately RMB105,000,000). Bank loans of the Company bear interest at commercial rates ranging from 5.58% to 7.03% per annum in 2007. All of the Company's bank loans were unsecured as at 31 December 2007. There is no particular seasonality of the Company's borrowings. All bank loans of the Company are denominated in Renminbi and other foreign currencies.

The Company's gearing ratio as at 31 December 2007 was approximately 6.2% (2006: approximately 9.1%), which is a percentage based on the interest-bearing loans and borrowings divided by total assets.

During the year under review, the Company applied forward foreign currency contracts from time to time to hedge against foreign exchange risk resulting from export sales. As at 31 December 2007, the Company was holding forward foreign currency contracts, at fair value gain of approximately RMB1,100,000 and at fair value loss of approximately RMB100,000, respectively.

CHARGES ON ASSETS

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

SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 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 year ended 31 December 2007.

CONTINGENT LIABILITIES

As at 31 December 2007, the Company did not have any significant contingent liabilities.

FOREIGN EXCHANGE RISK

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

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

SEGMENTAL INFORMATION

1. Self-produced specialized pipes

The production scale of the oil well pipes have been increasing over years since the Company successfully commenced the commercial production of oil well pipes in 2005. For the year ended 31 December 2007, the sales volume of the Company's self-produced oil well pipes was 181,315 tonnes (for the year ended 31 December 2006: 144,613 tonnes), representing an increase of approximately 25.4% as compared with the sales volume of these products in 2006. During the year, the sales volume of the self-produced oil well pipes accounted for approximately 73.0% of the total sales volume of the Company's self-produced products (2006: approximately 72.6%).

2. Sourcing and distribution of specialized pipes

Apart from self-produced specialized seamless pipes to serve the Company's customers, the Company has also been providing a one-stop service to its customers by assisting its customers to source and distribute other specialized seamless pipes with different specifications and of kinds not yet manufactured by the Company so as to increase the customers' sourcing speed, reduce their costs of sourcing and provide them with all-round services.

MANAGEMENT DISCUSSION AND ANALYSIS

With the growth of the PRC economy, the business and customer base of the Company have been increasing. The Company will continue to expand its sales and logistics teams, strengthen the distribution capabilities and further increase the type and volume of the products sourced and distributed so as to increasing the efficiency of our one-stop services. The Board believes that the prospects of the Company's sourcing and distribution business will remain vigorous in line with the trends and tides of the future economic development.

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

HUMAN RESOURCES

The Board believes that the quality of its employees is one of the most important factors for the sustainable development and growth of the Company and the enhancement of the Company's profitability. As at 31 December 2007, the Company had 1,133 employees (2006: 840 employees). The remuneration package of the Company includes salaries, incentives (such as bonus based on work performance) and allowances. The Company 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 Company also participates in a mandatory provident fund scheme in respect of its employee in Hong Kong.

The Company strictly observe the PRC Labour Laws, and the Labour Contract Law effective from 1 January 2008, which further stipulate the rights and obligations between enterprises and employees. The promulgation of the new laws will benefit the healthy and stable growth of the Company.

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

THE USE OF PROCEEDS FROM THE INTERNATIONAL PLACING IN DECEMBER 2006

In December 2006, the Company raised net proceeds of approximately HK$461,000,000 from international placing and exercise of over-allotment options. During the period from GEM Listing to 31 December 2007 (inclusive), the actual proceeds used by the Company were approximately HK$191,234,000. The Company will apply the remaining unused proceeds of approximately HK$269,766,000 based on the planned usage (as amended by the Company's announcement dated 7 December 2006 in respect of the exercise of the over-allotment options) as set out in the prospectus of the Company in relation to the international placing dated 27 November 2006 (the "**Prospectus**"). The Company will review its business plans from time to time so that they are in the interests of shareholders.

PROSPECTS

The Company keeps close watch on the development trends of the global economy and energy industry and believes that the demand for energy will grow exponentially worldwide in the next decade which will also create drives to oil exploration activities. The market shows growth in demand for those high grade oil well pipes which have better pressure and anti-corrosion features and can be applied in harsher geological conditions such as polar and oceanic area. The Company will pay full attention to the price trends of raw materials and changes of the demand-supply relationship and the effects of export trading friction. The Company will further strengthen its in-house research and development and technology advancement capability, properly implement the phase II of the 861 Action Plan and 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 services, optimize the customer base, upgrade scientific management tactics and internal cost controls, strengthen any possible closer cooperation and merger and takeover bids with operators in the industry with a view to fortify the Company's own competitive advantages and to generate fruitful returns to our shareholders.

A. Enhancing operation efficiency through research and development, technology upgrade and better management

The Company will continue strengthening its oil well pipes production skills and will put up its ability in commanding its advanced production equipments through technology upgrade and skill optimization in order to increase the efficiency of production equipments and improve the quantity and quality of its products while at the same time reduce production costs. The additional 50,000 tonnes of production capacity created through technology advancement will enable the overall production capacity of the Company to reach 350,000 tonnes in 2008 and the output volume of high grade oil well pipes to increase steadily.

The Company will continue its market oriented strategy and fully utilize its in-house research and development resources. It will further enhance the excellent joint research and development arrangements with Tubular Goods Research Center of Chinese Petroleum Natural Gas Group Company and Special Steel Branch Co. of Baoshan Iron and Steel Company Limited and explore cooperation opportunities with overseas operators in the industry. More extensive development for new products will be launched with focus on pressure resistant, anti-corrosion, collapse resistant, non-quenched and tempered series of oil well pipe products and the preparation of the research and development of the products which meet the requirements of sub-critical and super-critical electricity boiler and the high-pressure boiler tubular products complying with T series of the ASTM/ASME standards. The Company will organize professional technicians to conduct research in drill pipe production techniques and develop drill pipe series products of oil well pipes. The Company will strive to raise the proportion of high added value and high technology contents of its products.

B. Putting more efforts in market development and optimize customer base

The Company will consolidate its cooperation relationship with CNPC, Sinopec and CNOOC so as to increase its supply volume to the oilfields operators through direct selling. At the same time, the Company will continue its efforts on development and marketing in overseas market. The Company intends to participate the Pipe and Wire Expo to be held in Dusseldorf, Germany in March 2008 to April 2008 to promote the recognition and influence of the Company. While consolidating its overseas market, focus will also be targeted to the continuing development of potential markets such as the Middle East, Africa and South America countries in order to increase overseas sales and avoid the risks of trade friction. The Company expects that the proportion of export sales to the total revenue of the Company will reach around 25% in 2008, in addition, multiple-fold of growth is expected in the coming three to five years given there will be no material adverse changes to the internal and external environment in which the Company operates.

C. Keeping up the edge of one-stop services

Relying on the strategic advantage of direct sales and one-stop service, the Company can have close watch to all changes in the market whereas market demand for and market information of best selling products and high margin products can be gathered and our research and development and production will be more market oriented. Wider customer base could be built through the provision of one-stop shop which, in turn, help to build a concrete foundation for the Company's increased production capacity and upgraded product mix in future. Sourcing and distribution capability will keep on improving and expanding.

D. Phase II of the 861 Action Plan

With the growth in demand for crude oil and natural gas, the exploration of oil and gas wells has been shifted to the western China, deserts and regions with extreme climate and ocean. Some oil wells with high capital investment (deep wells, offshore wells and oil wells located in harsher external and complicated geological conditions and with complicated oil and gas contents) will gradually be exploited. Currently, there have been increasing volume of oil and gas being extracted from offshore oilfields in the world. As there are substantial offshore oil resources in the PRC, the efforts to be put on the exploration of offshore oilfields are expected to increase. The exploration of deep wells, offshore wells and wells with harsh external and complicated geological condition and with complicated oil and gas contents requires the use of high grade oil well pipes that have the features of pressure resistant, anti-corrosion and collapse resistant (such as L80, N80, P110) and non-API-standard specialized couplings. It is expected that the proportion of the oil wells that require the use of high-grade oil well pipes to total number of oil wells will be increased from around 20% in 2003 to around 43% in 2010 (source: ExxonMobile).

In order to meet the market demand as stated above, the Company will continue its implementation of the Phase II of the 861 Action Plan which is a construction project of high grade oil well pipes production line and endure to attain satisfactory engineering works progress and the quality of the construction and equipments together with proper staff training. According to the project's implementation plan, it is scheduled to commence production in late 2009 to achieve an annual production capacity of 300,000 tonnes high grade oil well pipe. By then, the overall production capacity of the Company will reach 650,000 tonnes per annum. It is expected that full utilization of the production line can be achieved by 2010. With the application of the technologically advanced 3-roll pipe roller mill and through the enhancement in research and development and the improvement in the Company's capability to command production facilities, it is expected to further increase production capacity and to realize further breakthrough in production volume.

The Phase II of the 861 Action Plan will be financed by a combination of the proceeds from the international placing in December 2006 specially earmarked for such purpose, internal resources of the Company and/or bank borrowings.

E. Actively expanding to domestic and international capital market recognition and identifying cooperation opportunities

The Company will seek more domestic and international capital and actively explore any possible chance for closer cooperation with upstream and downstream industries based on the principle of maximizing shareholders' benefits. The Company will also take a proactive role in identifying strategic cooperation partners both domestically and internationally and attempt merger and takeover deals as and when appropriate.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2007, the Company has complied with the provisions in the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 of the Listing Rules. The Board and the senior management of the Company have appraised themselves of the requirements of the Code and reviewed the practices of the Company to ensure compliance.

BUSINESS OBJECTIVES

During the period from GEM Listing to 31 December 2007, the Company conducted its business in accordance with the business plan and business objectives as stated in the Prospectus. The Company expects to achieve the business objectives as set out in the Prospectus for 2008 as scheduled. Up to now, almost all objectives have been achieved by the Company whilst a number of them are still in progress.

INTERNAL CONTROLS

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopts standards of conduct regarding Director's dealing in securities as set out in the Listing Rules. In addition, the Company made specific enquiries to all Directors and each Director had confirmed that during the year ended 31 December 2007, they have fully complied with the required standards.

OPERATIONS OF THE BOARD

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

For the year ended 31 December 2007, there were in total 9 Board meetings held and the attendance record of the directors is set out below:

Members of the Board	Number of meetings Held	Number of meetings Attended	Attendance percentage
EXECUTIVE DIRECTORS			
Mr. Ye Shi Qu	9	9	100%
Mr. Zhang Hu Ming	9	9	100%
Mr. Xie Yong Yang	9	9	100%
NON-EXECUTIVE DIRECTORS			
Mr. Zhang Jian Huai	9	9	100%
Mr. Liu Peng			
	9	9	100%
INDEPENDENT NON-EXECUTIVE DIRECTORS			
Mr. Wu Chang Qi	9	9	100%
Mr. Zhao Bin	9	9	100%
Mr. Wang Xiu Zhi*	8	8	100%
Mr. Li Chi Chung*	1	1	100%

* *Mr. Wang Xiu Zhi resigned as independent non-executive Director of the Company on 15 October 2007 and Mr. Li Chi Chung was appointed as independent non-executive Director of the Company on 15 October 2007.*

INDEPENDENT NON-EXECUTIVE DIRECTORS

In full compliance with Rules 3.10(1) and (2) of the Listing Rules, the Company has appointed three independent non-executive Directors, at least one of whom has appropriate professional accounting qualifications. The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such directors to be independent in accordance with each and every guideline set out in rule 3.13 of the Listing Rules.

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

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

Each of the independent non-executive Directors has been appointed for a term of 3 years.

CORPORATE GOVERNANCE REPORT

Chairman and chief executive officer

For the year ended 31 December 2007, Mr. Ye Shi Qu serves as the Chairman of the Company and is responsible for formulating the Company's overall strategies and business directions. Mr. Zhang Hu Ming serves as the Deputy Chairman and General Manager of the Company. He is responsible for and devotes all his time to the daily management and operations of the Company and effectively carries out the role of a chief executive officer. Save for Mr. Ye Shi Qu who is the uncle of Mr. Liu Peng (a non-executive Director of the Company), there are no family relationship or material financial, business or other relationships between members of the Board.

The Audit Committee

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

The committee held four meetings during the year.

	Number of meetings		**Attendance**
Members of the Audit Committee	**Held**	**Attended**	**percentage**
Mr. Zhao Bin *(Chairman)*	4	4	100%
Mr. Wu Chang Qi	4	4	100%
Mr. Zhang Jian Huai	4	4	100%

The primary duties of the audit committee include:

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

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

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

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

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

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

Remuneration and Nomination Committee

The Remuneration and Nomination Committee of the Company comprised three directors, namely Mr. Wu Chang Qi (Chairman), Mr. Xie Yong Yang , Mr. Wang Xiu Zhi and Mr. Zhao Bin. Of whom, Mr. Wang Xiu Zhi resigned on 15 October 2007 and Mr. Zhao Bin have been appointed to fill the casual vacancy.

The Remuneration and Nomination Committee held one meeting during the year.

Members of the Remuneration and Nomination Committee	**Number of meetings Held**	**Attended**	**Attendance percentage**
Mr. Wu Chang Qi *(Chairman)*	1	1	100%
Mr. Wang Xiu Zhi	1	1	100%
Mr. Xie Yong Yang	1	1	100%
Mr. Zhao Bin	0	0	0%

The main responsibilities of the committee include:

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

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

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

COMPLIANCE OFFICER, QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Compliance Officer: Mr. Zhang Hu Ming

Qualified Accountant: Mr. Ho Kin-Cheong, Kelvin (fellow member of The Association of Chartered Certified Accountant and associate member of the Hong Kong Institute of Certified Public Accountants)

Company Secretary: Mr. Ho Kin-Cheong, Kelvin (fellow member of The Association of Chartered Certified Accountant and associate member of the Hong Kong Institute of Certified Public Accountants)

Auditors' Remuneration

The Audit Committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Company paid an aggregate of approximately RMB2,850,000 to the external auditors for their services including audit and non-audit services.

Investors Relations

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

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

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

For the purpose of promoting the mutual communication between the Company, its shareholders and potential investors, the Company has set up an investor relations office to respond to the enquiries from shareholders and general public. Furthermore, the Company is dedicated to make use of its website to provide latest information to and as a better communication channel between shareholders and general public on a timely basis.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2007.

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE

The H Shares of the Company were listed on the Main Board with effect from 24 December 2007.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The results of the Company for the year ended 31 December 2007 are set out in the income statement and the accompanying Notes to the financial statements on page 46 to page 98 of this report.

Pursuant to the resolution at the annual general meeting held on 10 May 2007, the shareholders of the Company approved final dividend of RMB25,379,000 in total in respect of the year ended 31 December 2006 to be distributed to the shareholders at that time.

The Board has recommended the payment of a final dividend of RMB0.08 per share in respect of the year ended 31 December 2007. Dividends payable to domestic shareholders will be paid in RMB, while dividends payable to holders of H shares will be paid through the receiving agent of the Company in Hong Kong dollars. Subject to the approval at the annual general meeting to be held on 28 April 2008, the final dividend is expected to be payable on or about 30 June 2008.

PROPOSED BONUS ISSUE BY CONVERSION OF RESERVE

Apart from the above proposal for the declaration of a final dividend, the Board also proposed to convert a reserve amounted to RMB126,892,500 in the Company's share premium account into 253,785,000 shares of a nominal value of RMB0.50 each. On the basis of the issued share capital of 507,570,000 shares as at the end of 2007, shareholders will be offered additional 5 ordinary shares for each 10 ordinary shares they hold as a bonus issue. If any fractional shares (interest smaller than a whole share) fall to be issued as part of this distribution, the fractional shares will not be issued to shareholders but aggregated and sold for the benefit of the Company. Subject to the approval at the annual general meeting and the respective class meetings to be held on 28 April 2008, the proposed bonus issue is expected to be issued on or about 30 June 2008.

REPORT OF THE DIRECTORS

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company shall be closed from 27 March 2008 to 28 April 2008 (both days inclusive) during which period no transfer of shares of the Company will be effected. To be eligible for attending the annual general meeting and the respective class meetings to be held by the Company on 28 April 2008, and to receive the final dividends and to be allotted with the bonus shares to be issued pursuant to the proposed bonus issue by conversion of reserve, all transfer documents accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company's transfer office and share registrar in Hong Kong, whose address is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 pm on 26 March 2008.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company during the year of 2007 are set out in note 13 of the Notes to the financial statements.

SHARE CAPITAL

Details of the issued share capital of the Company are set out in note 24 of the Notes to the financial statements.

DISTRIBUTABLE RESERVE

Subsequent to the listing of the Company's H Shares, the Company's reserves available for distribution to shareholders is the lower of its accumulated profits as stated in the statutory financial statements in the PRC and the financial statements prepared under International Financial Reporting Standards (the "**IFRS**"). As at 31 December 2007, the Company's distributable reserve after such comparison and before deducting the proposed dividend for 2007 represents its accumulated profits prepared in accordance with the accounting standards for Business Enterprises issued by the Ministry of Finance of the PRC in 2006 (the "**PRC GAAP**") of approximately RMB305,254,000 (31 December 2006: accumulated profits prepared in accordance with PRC GAAP of approximately RMB165,265,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2007, sales to the five largest customers of the Company accounted for less than 30% of the Company's total turnover. For the year ended 31 December 2007, purchases from the Company's largest supplier and five largest suppliers accounted for approximately 26.2% and 60.1% respectively of the Company's total purchases.

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

DIRECTORS AND SUPERVISORS

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

Executive Directors:

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

Non-executive Directors:

Mr. Zhang Jian Huai
Mr. Liu Peng

Independent non-executive Directors:

Mr. Wu Chang Qi
Mr. Wang Xiu Zhi*
Mr. Zhao Bin
Mr. Li Chi Chung*

Supervisors:

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

* *Mr. Wang Xiu Zhi resigned as independent non-executive Director of the Company on 15 October 2007 and Mr. Li Chi Chung was appointed as independent non-executive Director of the Company on 15 October 2007.*

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Ye Shi Qu, aged 58. He is a deputy to the National People's Congress and the chairman and an executive Director of the Company. Ye Shi Qu is responsible for formulating the overall strategies and business directions of the Company. Ye Shi Qu is the founder of Anhui Tianda Enterprise (Group) Company Limited ("**Tianda Holding**") and has been its actual controlling party since then. Ye Shi Qu resigned as a director and legal representative of Tianda Holding on 31 May 2007. Ye Shi Qu had been awarded the Model of National Agricultural Labour, National Excellent County Entrepreneur, Third China Best Entrepreneur of Privately owned Enterprises and Top Ten Entrepreneur in Anhui Province. Ye Shi Qu is also a director of Konka Group Co., Ltd., a company listed on The Shenzhen Stock Exchange which is principally engaged in the business of household electrical appliances. Ye Shi Qu is also the Deputy Chairman of the China Indivildual Labourers' Association, Enterprises Association and Entrepreneur Association of Anhui Province, Association of Industry and Commerce of Anhui Province and the Deputy Chairman of the Federation of Industrial Economics of Anhui Province. Ye Shi Qu was appointed as a Director in April 2006 but has been involved in the Company's business since 1993 (then operated by one of the Company's predecessors). Ye Shi Qu is the uncle of Liu Peng, a non-executive Director.

Zhang Hu Ming, aged 39. He is the Deputy Chairman, an executive Director and the General Manager of the Company. Zhang Hu Ming was a director of Tianda Holding until 13 November 2006 when he resigned from Tianda Holding as part of the pre-IPO restructuring process. Zhang Hu Ming is responsible for and devotes all of his time to the daily management and operations of the Company. Zhang Hu Ming is very experienced in the specialized seamless pipe industry and its management with over 14 years of experience in the industry. Since 1995, Zhang Hu Ming was the head of Tianda Seamless Steel Pipe Factory, the head of Tianda Tianchang Seamless Steel Pipe Factory and the general manager of Tianda Special Steel Pipe Company. With his outstanding capabilities in business operations and management, Zhang Hu Ming was awarded National Excellent County Entrepreneur in 2005 and was a deputy of the Tenth and Eleventh Session of Anhui Province People's Congress, recognising his contributions made to county enterprises and decision making capabilities which are fundamental to his management role in the Company. Zhang Hu Ming graduated from the Department of Business Management in Chuzhou College (formerly known as the Vocational School for Education in Chuzhou) in 1991 with post-secondary qualification. He has also obtained a diploma in National Economics from the business school of the University of Nanjing in July 2002. Zhang Hu Ming was appointed as a Director in April 2006 and has been involved in the Company's business since 1993 (then operated by one of the Company's predecessors).

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

Non-executive Directors

Zhang Jian Huai, aged 38. He is a non-executive Director of the Company and has been working in the finance and accounting industries for many years and with over 14 years of experience in financial practices and operation. Since 2005, Zhang Jian Huai has been the deputy financial controller of Tianda Holding. Zhang Jian Huai graduated from the Institute of Chinese Communist Party with a bachelor degree in economics management. Since August 2007, Zhang Jian Huai has been the chairman of the supervisory committee of Konka Group Co., Ltd., a company listed on The Shenzhen Stock Exchange which is engaged in the business of household electrical appliances. Zhang Jian Huai was appointed as a Director in April 2006 and has been involved in the Company's business since October 2005 (when it was then operated by one of the Company's predecessors).

Liu Peng, aged 31. He is a non-executive Director of the Company. He graduated from the Department of Finance in Nankai University in 1997. He was awarded Master of International Business Administration jointly by the Institute of Economics and Management of Tsinghua University and Sloan School of Management under Massachusetts Institute of Technology in the US. Liu Peng has 10 years of experience in corporate capital operation and corporate management. Since August 2007, Liu Peng has been a director of Konka Group Co., Ltd., a company listed on The Shenzhen Stock Exchange which is engaged in the business of household electrical appliances. Liu Peng was appointed as Director since April 2006 and was redesignated as non-executive Director in June 2006. Liu Peng is the nephew of Ye Shi Qu, the chairman of the Company.

REPORT OF THE DIRECTORS

Independent non-executive Directors

Wu Chang Qi, aged 71. He is the president of the Assembly for Association of Business Management and the Association of Entrepreneur of Anhui Province, Honorary Chairman of University of Anhui and Anhui Province International Entrepreneur Exchange Association and as such, he is very knowledgeable in the area of enterprise management. Wu Chang Qi has over 40 years of experience in the area of enterprise management for he has been appointed to take up roles in various governmental departments of different levels since 1980. Wu Chang Qi was a member to the Sixth, Eighth and Ninth Provincial People's Congress and a member to the Twelfth Communist Party's National Congress. He graduated from Hangzhou Civil Engineering College. He was appointed as an independent non-executive Director in June 2006.

Zhao Bin, aged 42. Zhao Bin is a PRC registered accountant and a PRC registered valuer. Zhao Bin was appointed as an independent non-executive Director in July 2006. Zhao Bin is the shareholder, deputy chief accountant and deputy general manager of Beijing Zhongxing Xinshizi Accounting Firm. Between 1996 and 2002, Zhao Bin was engaged by the auditing and valuation department at Anhui Huapo Accounting Firm, Jinhai Branch. Zhao Bin has also been engaged in the teaching and academic research of accounting, auditing, financial management and securities investment at Anhui Polytechnic University. In 1991, Zhao Bin was awarded a master degree by Anhui Polytechnic University (formerly known as Huinan Mining College). Between March 2002 and 2006, Zhao Bin was engaged in doctoral research at the China Mining University in Beijing. He was appointed as an independent non-executive Director in July 2006.

Li Chi Chung, aged 39. Li Chi Chung is currently a solicitor practising in Hong Kong. Li Chi Chung obtained a bachelor degree in laws from The University of Sheffield in England in 1990. He was admitted as a solicitor of the High Court of Hong Kong in 1993 and his practice has been focused on commercial related matters. Li Chi Chung is currently a non-executive director of Richfield Group Holdings Limited, a company listed on GEM of the Stock Exchange. He is also an independent non-executive director of Eagle Nice (International) Holdings Limited and Kenford Group Holdings Limited which are companies listed on the Main Board. He is also an independent non-executive director of PINE Technology Holdings Limited, a company listed on GEM of the Stock Exchange. He is the company secretary of Prime Investments Holdings Limited, a company listed on the Main Board, and Sungreen International Holdings Limited, a company listed on GEM. He was appointed as an independent non-executive Director on 15 October 2007.

Supervisors

Liu Jun Chang, aged 42. He was named Model Labour of Anhui Province in September 2002 in recognition of his contribution to the development of Tianda Holding. He graduated from Hefei Industrial University with a major in economics management in June 2002. He has 18 years of experience in corporate management. He is the chairman of the supervisory committee of Tianda Holding and was appointed as the chairman of the supervisory committee of the Company on 13 April 2006, taking advantage of his experience as chairman of Tianda Holding's supervisory committee to supervise, among other things, the performance of the Directors' and senior management's duties. Liu Jun Chang has been involved in the Company's business since August 2004 when it was then operated by one of the Company's predecessors.

Yong Jin Gui, aged 33. He graduated from Anhui Agricultural University with a major in agricultural machinery. He joined the Company after graduation and he has approximately 9 years of experience in corporate management. He was appointed as a director of Tianda Holding in July 2004. He was appointed as a Supervisor on 13 April 2006 and has been involved in the Company's business since August 2004 (when it was then operated by one of the Company's predecessors). Yong Jin Gui is also a director of another subsidiary under Tianda Holdings.

Yang Quan Fu, aged 34. He graduated from Hefei Industrial University with a major in economies management in June 2002. Yang Quan Fu has been engaged in the production and management related activities of the Company for over 13 years since he first joined the predecessor of the Company in December 1994. He was appointed as a Supervisor from staff representative of the Company on 13 April 2006.

Senior Management

Ho Kin Cheong, Kelvin, aged 40. He is the Qualified Accountant, Company Secretary and deputy financial controller of the Company. Ho Kin Cheong, Kelvin is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants and holds a bachelor degree in business administration from the Hong Kong Baptist College (now known as Hong Kong Baptist University). Ho Kin Cheong, Kelvin has over 15 years of experience in finance and accounting. Prior to joining the Company, between June 1992 and September 2006, Ho Kin Cheong, Kelvin was responsible for accounting, finance or company secretarial matters for several listed companies in Hong Kong, namely SMI Publishing Group Limited, SMI Corporation Limited, Garron International Limited, Hanny Holdings Limited, Shenzhen High-Tech Holdings Limited, Global Tech (Holdings) Limited, Hong Kong Pharmaceutical Holdings Limited, South East Group Limited, Climax International Company Limited and EPI (Holdings) Limited. Ho Kin Cheong, Kelvin was also appointed to be an independent non-executive director of Macau Prime Properties Holdings Limited from 2001 to 2003 and the company secretary of China Enterprises Limited, a company whose shares are listed in the United States. Ho Kin Cheong, Kelvin joined the Company on 11 September 2006.

REPORT OF THE DIRECTORS

Wang Yi, aged 37. He graduated from Anhui Mechanical and Electrical Institute with a major in heat treatment in 1997. Mr. Wang joined the Company after graduation and has been involved in the business of the Company (then operated by one of the Company's predecessors) since July 1997. In 2002, through assisting in the preparation for the construction of hot-rolled oil well pipe production line as in charged by Mr. Zhang Hu Ming, the General Manager, he devoted much effort to the successful commencement of operation of Chuzhou City production plant. In October 2005, he was appointed as the deputy general manager of one of the Company's predecessors. In May 2006, he was appointed as the deputy general manager of the Company and is in charge of Chuzhou City production plant.

Zhang Chun Xiang, aged 37. He graduated from Anhui Mechanical and Electrical Institute with a major in heat processing in 1993. He joined the Company after graduation and had been involved in the Company's business (then operated by one of the Company's predecessors) since July 1993 engaging in quality control and technology management for approximately 11 years. He was the head of quality inspection division and technology division. Zhang Chun Xiang has much vision to the development of steel pipe industry. During these years, he has been committed to the research and development of the Company. New products researched and developed under his supervision were awarded numerous incentives by the government. In 2002, he participated in the preparation for the construction of hot-rolled oil well pipe production line. In October 2005, he was appointed as the chief engineer of Tianda Special Steel Pipe Company. In May 2006, he was appointed as the chief engineer of the Company and in charge of the research and refining of new products, research and development of products and research of techniques.

Geng Wei Long, aged 43. He graduated from Hefei Industrial University in June 1998 with a major in business administration. He joined the Company in May 1993. He was the supervisor of workshop of Oriental Industry Metal Company, head of production division of Tianda Tianchang Seamless Steel Pipe Factory and deputy head of production plant of Tianda Tianchang Seamless Steel Pipe Factory. Geng Wei Long has been engaged in production management for 13 years. He has been involved in the Company's business since 1993 (then operated by one of the Company's predecessors) and in October 2005, he was appointed as the deputy general manager of Tianda Special Steel Pipe Company. In 2006, he was appointed as the deputy general manager of the Company and in charge of the research and development as well as production management at the Tianchang City headquarters.

Lv Si Yu, aged 32. He started his career in 1993. He graduated from Hefei Industrial University in June 2002 with a major in economics and management by taking a part-time course during the course of his career. Lv Si Yu joined the Company in December 1993. He was the sales manager, and has been engaged in sales of steel pipe products for 11 years. He has in-depth understanding of the steel pipe industry and very experienced in sales and marketing. In October 2005, he was appointed as the general manager for sales and was responsible for all external sales activities of Tianda Special Steel Pipe Company. He has been involved in the Company's business since 1993 (then operated by one of the Company's predecessors) and in May 2006, he was appointed as the deputy general manager of the Company and is in charge of the sales and marketing division.

Huang Yao Qi, aged 44. She graduated from Hefei Industrial University in June 2002 with a major in economics and management. Huang Yao Qi has been involved in financial work, including corporate financial accounting, financial analysis and financial management, for over 20 years and is very experienced in such area. She joined the Company in August 2004. She has been involved in the Company's business since 2004 (then operated by one of the Company's predecessors) and in November 2005, she was appointed as the financial controller of Tianda Special Steel Pipe Company. In May 2006, she was appointed as the financial controller of the Company. Huang Yao Qi is the sister-in-law of Xie Yong Yan, an executive Director.

Chen Dong, aged 28. He graduated from Chuzhou Broadcasting and Television University in June 2000. He was the head for the corporate office of Tianda Holding from March 2002 to May 2007 and his key roles and responsibilities were preparing board meeting materials, keeping records of board meetings, preparing office memoranda and co-coordinating different departments of Tianda Holding. Chen Dong joined Tianda Holding since his graduation and has 7 years of experience in corporate management. Between May 2004 and April 2005, he received training at Shanghai Shi Pang Corporate Management Advisory Company Limited in relation to corporate management. He joined the Company in April 2006 and was appointed as the Secretary to the Board on 13 April 2006.

COMPLIANCE OFFICER

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

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

REPORT OF THE DIRECTORS

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

As at 31 December 2007, the interest of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong (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, were as follows:

Name of Company	Name of Director or Supervisor	Capacity	Nature of interest and number of Shares/amount of capital contribution (RMB)				Total number of shares/ Total amount of capital contribution	Percentage holding of shares/Interest in the registered capital of the relevant associated corporation	Approximate percentage of the total issued share capital of the Company
			Personal Interests	Family Interests	Corporate Interests	Other Interests			
Company	Ye Shi Qu	Interest in controlled corporation (Note 1)	—	—	340,000,000 Ordinary domestic shares (the "**Domestic shares**")	—	340,000,000 Domestic shares	—	67%
Tianda Holding	Ye Shi Qu	Beneficial owner	RMB174,012,800	—	—	—	RMB174,012,800	74.5%	—
Anhui Tianda Investment Company Limited ("**Tianda Investment**")	Ye Shi Qu	Interest in controlled corporation (Note 2)	RMB50,000,000	—	—	—	RMB50,000,000	100%	—
Tianda Holding	Zhang Hu Ming	Beneficial owner	RMB9,166,700	—	—	—	RMB9,166,700	3.9%	—
Tianda Holding	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.

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraph headed "RELATED PARTY TRANSACTIONS" stated in note 28 of the Notes to the financial statements, no contract of significance in relation to the Company's business, to which the Company was a party and in which a Director or a Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

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

(A) Substantial Shareholders

So far as the Directors or chief executive of the Company are aware, as at 31 December 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%	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%
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%
Wasatch Advisors, Inc.	Investment manager	H shares	10,301,000 (L)	6.1%	2.0%
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 the equity interest in Tianda Holding, and as Tianda Investment is a wholly-owned subsidiary of Tianda Holding, Ye Shi Qu is deemed to be interested in all of the 272,000,000 Domestic Shares held by Tianda Holding and 68,000,000 Domestic Shares held by Tianda Investment.

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

As at 31 December 2007, save of the person or entities disclosed in sub-section (A) above, no person or entities (other than a Director, Supervisor or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Save as disclosed above, as at 31 December 2007, the Directors were not aware of any person or entities (other than the Directors, Supervisors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded on 31 December 2007 in the register required to be kept by the Company under section 336 of the SFO.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the related party transactions during the year are included in note 28 to the financial statements. The continuing connected transactions during the year are exempt from further reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "**Dealing Code**"). All Directors have complied with the required standard as set out in the Dealing Code during the year.

DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS

For the year ended 31 December 2007, the Directors are not aware of any business or interest of the Directors, the supervisors of the Company and their respective associates (as defined under the 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.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On the Company's extraordinary general meeting, H shares class meeting and domestic shares class meeting held on 18 June 2007, the amendments to the articles of association of the Company were considered and approved and effective from the listing of the H shares of the Company on the Main Board. For details on the amendments to the articles of association of the Company, please refer to the general meeting circular distributed to shareholders on 3 May 2007.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

CORPORATE GOVERNANCE

Information on Corporate Governance Practices adopted by the Company is set out in the Corporate Governance Report on pages 18 to 22 of this report.

POST BALANCE SHEET EVENTS

Details of the post balance sheet events are included in note 31 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not purchased, sold or redeemed any of its listed securities during the year ended 31 December 2007.

AUDITORS

The financial statements for the year ended 31 December 2007 prepared under the IFRS have been audited by Ernst & Young. The Company will propose at the forthcoming annual general meeting resolutions to re-appoint Ernst & Young Hua Ming and Ernst & Young to act as the domestic and international auditors, respectively, of the Company for the year 2008.

By Order of the Board
Ye Shi Qu
Chairman

Anhui, the PRC, 29 February 2007

In 2007, in accordance with the relevant provisions of the Company Law of the People's Republic of China (the "**Company Law**") and Articles of Association of the Company, and in compliance with the principle of integrity, all members of the supervisory committee of the Company (the "**Committee**") performed their duties of supervision on the Board's decision making with a view to protecting shareholders' interests in line with the Board's accountability to all shareholders. The Committee monitored the operations and financial position as well as the performance of senior management of the Company for the year 2007. On behalf of the Committee, I hereby present our report for 2007:

1. OVERVIEW OF THE WORK OF THE SUPERVISORY COMMITTEE

The supervisory committee conducted 2 on-site inspections of the operations and financial position of the Company, and reviewed the financial statements of the Company. In 2007, the Supervisory Committee held 2 meetings and the holding of such meetings were in compliance with the relevant provisions of the Company Law and the Articles of Association of the Company.

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

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

REPORT OF THE SUPERVISORS

2. EXAMINATION OF FINANCIAL POSITION OF THE COMPANY

The Committee earnestly examined the financial statements and the annual report of the Company for 2007 issued by the auditors of the Company.

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

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

On 1 December 2006, the Company issued H Shares to raise funds. The Committee is of the view that, in 2007, the use of proceeds by the Company was in line with the details set out in the Prospectus.

4. CONNECTED TRANSACTIONS

The Committee is of the view that the continuing connected transactions of the Company for 2007 were conducted on the principles of fairness and equality at reasonable prices. No act detrimental to shareholders' interests as a whole was found.

Liu Junchang
Chairman of Supervisory Committee
Anhui, the PRC

29 February 2008

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

To the shareholders of Anhui Tianda Oil Pipe Company Limited
(A joint stock company established in the People's Republic of China with limited liability)

We have audited the accompanying financial statements of Anhui Tianda Oil Pipe Company Limited (the "**Company**"), which comprises the balance sheet as at 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and 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 fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation 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.

INDEPENDENT AUDITORS' REPORT

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 financial position of the Company as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong
29 February 2008

INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Revenue	4	**1,575,481**	1,265,314
Cost of sales		**(1,276,638)**	(1,013,539)
Gross profit		**298,843**	251,775
Other income and gains	5	**9,932**	5,217
Selling and distribution costs		**(52,482)**	(41,495)
Administrative expenses		**(36,786)**	(17,682)
Other expenses	5	**(289)**	(351)
Operating profit		**219,218**	197,464
Finance revenue	6	**11,175**	2,226
Finance costs	6	**(14,333)**	(8,874)
Share of loss of an associate	15	**—**	(23)
Profit before tax	7	**216,060**	190,793
Income tax expense	9	**(32,318)**	(72,302)
Profit for the year attributable to equity holders of the Company		**183,742**	118,491
Dividends	11		
Dividend paid		**25,379**	56,663
Proposed final dividend		**40,606**	25,379
		65,985	82,042
Earnings per share			
Basic, for profit for the year attributable to equity holders of the Company	10	**RMB0.36**	RMB0.34

The accompanying notes on pages 46 to 98 form an integral part of the financial statements.

BALANCE SHEET

As at 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**453,122**	342,052
Prepaid land premiums	14	**29,929**	28,158
		483,051	370,210
Current assets			
Inventories	16	**371,891**	201,828
Trade and notes receivables	17	**65,654**	92,591
Prepayments, deposits and other receivables	18	**152,333**	57,513
Derivative financial instruments	20	**1,100**	—
Cash and short-term deposits	19	**292,707**	436,429
		883,685	788,361
TOTAL ASSETS		**1,366,736**	1,158,571
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital	24	**253,785**	253,785
Reserves	25	**701,344**	558,208
Proposed final dividend	11	**40,606**	25,379
Total equity		**995,735**	837,372
Non-current liabilities			
Interest-bearing loans and borrowings	21	**14,587**	35,000
Deferred tax liabilities	9	**250**	—
		14,837	35,000
Current liabilities			
Interest-bearing loans and borrowings	21	**70,000**	70,000
Trade and notes payables	22	**83,106**	66,910
Income tax payable	9	**39,727**	27,342
Accrued liabilities and other payables	23	**163,231**	121,947
Derivative financial instruments	20	**100**	—
		356,164	286,199
Total liabilities		**371,001**	321,199
TOTAL EQUITY AND LIABILITIES		**1,366,736**	1,158,571
NET CURRENT ASSETS		**527,521**	502,162
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,010,572**	872,372

Ye Shi Qu
Director

Zhang Hu Ming
Director

The accompanying notes on pages 46 to 98 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Attributable to equity holders of the Company							
	Issued capital RMB'000 (Note 24)	Share premium account RMB'000 (Note 24)	Statutory surplus reserve RMB'000 (Note 25)	Statutory public welfare fund RMB'000 (Note 25)	General surplus reserve RMB'000 (Note 25)	Retained earnings RMB'000 (Note 25)	Proposed final dividend RMB'000 (Note 11)	Total RMB'000
At 1 January 2006	170,000	—	13,269	6,634	—	121,399	—	311,302
Profit for the year	—	—	—	—	—	118,491	—	118,491
Issue of share capital	83,785	380,457	—	—	—	—	—	464,242
Transfer of statutory public welfare fund	—	—	—	(6,634)	6,634	—	—	—
Appropriation of statutory surplus reserve fund	—	—	15,606	—	—	(15,606)	—	—
Final 2005 dividend declared	—	—	—	—	—	(56,663)	—	(56,663)
Proposed final 2006 dividend	—	—	—	—	—	(25,379)	25,379	—
At 31 December 2006 and 1 January 2007	253,785	380,457	28,875	—	6,634	142,242	25,379	837,372
Profit for the year	—	—	—	—	—	183,742	—	183,742
Appropriation of statutory surplus reserve	—	—	18,374	—	—	(18,374)	—	—
Final 2006 dividend declared	—	—	—	—	—	—	(25,379)	(25,379)
Proposed final 2007 dividend	—	—	—	—	—	(40,606)	40,606	—
At 31 December 2007	253,785	380,457	47,249	—	6,634	267,004	40,606	995,735

The accompanying notes on pages 46 to 98 form an integral part of the financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Operating activities			
Profit before tax		**216,060**	190,793
Adjustments to reconcile profit before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	7	**30,450**	21,499
Amortisation of prepaid land premiums	7	**636**	540
Gain from sale of an equity interest in an associate		**—**	(69)
Share of loss of an associate	15	**—**	23
Impairment of trade receivable	7	**224**	273
Write-down/(reversal) of inventories to net realisable value	7	**(850)**	250
Interest expenses	6	**5,308**	6,501
Interest income	6	**(11,175)**	(2,226)
Fair value gains, net	5	**(1,000)**	—
Working capital adjustments:			
Increase in inventories		**(169,213)**	(70,693)
Decrease/(increase) in trade and notes receivables		**26,713**	(70,377)
Increase in prepayments, deposits and other receivables		**(105,874)**	(14,223)
Increase in trade and notes payables		**16,196**	21,036
Increase in accrued liabilities and other payables		**38,217**	8,802
Cash generated from operations		**45,692**	92,129
Income tax paid	9	**(19,683)**	(7,323)
Net cash flows from operating activities		**26,009**	84,806

The accompanying notes on pages 46 to 98 form an integral part of the financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Net cash flow from operating activities		**26,009**	84,806
Investing activities			
Interest received		**8,628**	677
Proceeds from sale of an equity interest in an associate	15	**—**	500
Purchases of property, plant and equipment and prepaid land premiums		**(137,421)**	(122,141)
Investment on deposits with an original maturity of over three months	19	**(130,000)**	(350,630)
Cash collected from matured 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 from/(used in) investing activities		**91,837**	(452,846)
Financing activities			
Proceeds from interest-bearing loans and borrowings		**110,587**	20,000
Repayment of interest-bearing loans and borrowings		**(131,000)**	(25,000)
Interest paid		**(5,355)**	(6,322)
Dividends paid	11	**(25,379)**	(1,621)
Proceeds from issuance of shares		**10,209**	460,959
Transaction costs of issuance of shares		**—**	(6,926)
Net cash flows from/(used in) financing activities		**(40,938)**	441,090
Net increase in cash and cash equivalents		**76,908**	73,050
Cash and cash equivalents at 1 January		**85,799**	12,749
Cash and cash equivalents at 31 December		**162,707**	85,799
Analysis of balances of cash and cash equivalents			
Cash and bank balances	19	**292,707**	436,429
Less: Time deposits with original maturity of over three months when acquired	19	**(130,000)**	(350,630)
		162,707	85,799

The accompanying notes on pages 46 to 98 form an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 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 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 by the issuance of 170,000,000 fully paid Domestic Shares with a nominal value of RMB1.00 each to the then shareholders.

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

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

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 31 December 2007, and therefore is the ultimate shareholder of the Company.

The Company is principally engaged in the design, manufacture 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 Financial Reporting Interpretations Committee ("**IFRIC**") interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance.

2.1 BASIS OF PREPARATION *(Continued)*

Statement of compliance *(Continued)*

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

2.2 CHANGES IN ACCOUNTING POLICIES

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

The Company has adopted the following new and amended IFRSs and IFRIC Interpretations during the year. Adoption of these revised standards and Interpretations did not have any effect on the financial performance or position of the Company. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

IFRS 7	Financial Instruments: Disclosures
IAS 1	Amendment — Presentation of Financial Statements
IFRIC 8	Scope of IFRS2
IFRIC 9	Reassessment of embedded derivatives
IFRIC 10	Interim Financial Reporting and Impairment

The principal effects of these changes are as follows:

IFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 *Amendment — Presentation of Financial Statements*

This amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures are shown in note 26 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

IFRIC *8* *Scope of IFRS2*

This interpretation requires IFRS2 to be applied to any arrangement in which the Company cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Company's equity instruments) are incurred by the Company for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has not issued equity instruments to its employees, the interpretation has had no effect on these financial statements.

IFRIC *9* *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Company first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modified the cash flows. As the Company has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

IFRIC *10* *Interim Financial Reporting and Impairment*

The Company adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Company had no impairment losses previously reversed in respect of such assets, the interpretation had no impact on the financial position or performance of the Company.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires the directors to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future.

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.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(Continued)*

Estimates and assumptions *(Continued)*

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 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. The 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, such difference will impact the carrying values of the trade receivables and prepayments, deposits and other receivables and doubtful debt expenses in the period in which such estimates have been changed.

Estimated write-downs of inventories to net realisable value

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required (other than inventories), 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 the 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 the recoverable amount. A previously recognised impairment loss of an asset 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 and amortisation, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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).

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.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

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

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future 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 asset) is included in the income statement in the year 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from the 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 when the asset is not yet in use, it is tested for impairment annually.

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 whether 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 a 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company assesses whether a contract contains an embedded derivative when the Company first becomes a party to it. The embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flow that would otherwise be required under the contract.

The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with policy set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets at fair value through profit or loss (Continued)

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (a) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (b) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (c) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Company will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and note payables, accrued liabilities and other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised with "finance cost" in the income statement.

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities at fair value through profit or loss *(Continued)*

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (a) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (b) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (c) the financial liability contains an embedded derivative that would need to be separately recorded.

Derecognition of financial assets and liabilities

Financial assets

Financial assets consist of trade and notes receivables as well as prepayments, deposits, other receivables and derivative financial instruments. 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 right to receive cash flows from the asset, but has assumed an obligation to pay them 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.

When 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.

When 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 that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, where 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets and liabilities *(Continued)*

Financial liabilities

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 between the respective carrying amounts is recognised in the income statement.

Derivative financial instruments and hedging

The Company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

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 merchandise and other costs incurred in bringing the materials and merchandise to their present locations and conditions. The costs of work in progress and finished goods comprise direct materials, direct labour and an appropriate proportion of manufacturing overheads based on normal operating capacity.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

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.

Provisions

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and 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 provision due to the passage of time is recognised as a finance cost.

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.

Current income tax

Current income tax assets and liabilities for the current 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 amount 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.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxes *(Continued)*

Deferred income tax (Continued)

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 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 tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

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 recognised as deferred income and released to income in equal annual amounts over the expected useful life of the related asset.

Where the Company receives non-monetary grants, the asset and that grant are recorded at nominal amounts and released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

Borrowing costs

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

Other borrowing costs are recognised as expenses when incurred.

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.

NOTES TO FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 IFRIC Interpretations are effective for annual periods beginning on or after 1 January 2008.

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

IAS 23 (revised) Borrowing Costs

IAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional provisions in the revised standard, the Company shall apply the revised standard on a prospective basis to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Company expects to adopt IAS 23 (revised) from 1 January 2009.

2.5 FUTURE CHANGES IN ACCOUNTING POLICIES *(Continued)*

IFRS 8 Operating Segments

IFRS 8, which will replace IAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Company operates, and revenue from the Company's major customers. The Company expects to adopt IFRS 8 from 1 January 2009.

IFRIC 11 IFRS2 Group and Treasury Share Transactions

IFRIC 11 requires arrangements whereby an employee is granted rights to the Company's equity instruments, to be accounted for as an equity-settled scheme, even if the Company acquires the instruments from another party, or the shareholders provide the equity instruments needed. As the Company currently has no such transactions, the interpretation is unlikely to have any financial impact on the Company.

IFRIC 12 Service Concession Arrangements

IFRIC 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements.

IFRIC 12 also addresses how an operator shall apply existing IFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Company currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Company.

IFRIC 13 Customer Loyalty Programmes

IFRIC 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

NOTES TO FINANCIAL STATEMENTS

2.5 FUTURE CHANGES IN ACCOUNTING POLICIES *(Continued)*

IFRIC 14 IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 14 addresses how to assess the limit under IAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Company currently has no customer loyalty award credits and defined benefit scheme, IFRIC 13 and IFRIC 14 are not applicable to the Company and therefore are unlikely to have any financial impact on the Company.

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 segments. Summary details of the Company's business segments are as follows:

- Manufacture of seamless steel pipes

- Sourcing and distribution of 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.

3. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following table presents revenue, profit and certain asset, liability and expenditure information for the Company's business segments for the years ended 31 December 2007 and 2006.

Year ended 31 December 2007

	Manufacture of seamless steel pipes RMB'000	Sourcing and distribution of seamless steel pipes RMB'000	Total RMB'000
Revenue	1,308,538	266,943	1,575,481
Results			
Segment gross profit	265,471	33,372	298,843
Unallocated other income and gains			9,932
Unallocated expenses			(89,557)
Net finance costs			(3,158)
Profit before tax			216,060
Income tax expense			(32,318)
Profit for the year			183,742
As at 31 December 2007			
Assets			
Segment assets	834,147	20,795	854,942
Unallocated assets			511,794
Total assets			1,366,736
Liabilities			
Segment liabilities			—
Unallocated liabilities			371,001
Total liabilities			371,001
Other segment information:			
Capital expenditure	143,927	—	143,927
Depreciation and amortisation	31,086	—	31,086
Impairment of assets recognized	224	—	224
Reversal of impairment of assets	(850)	—	(850)

3. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Year ended 31 December 2006

	Manufacture of seamless steel pipes RMB'000	Sourcing and distribution of seamless steel pipes RMB'000	Total RMB'000
Revenue	1,015,267	250,047	1,265,314
Results			
Segment gross profit	221,954	29,821	251,775
Unallocated other income and gains			5,217
Unallocated expenses			(59,528)
Net finance costs			(6,648)
Share of loss of an associate			(23)
Profit before tax			190,793
Income tax expense			(72,302)
Profit for the year			118,491
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

3. SEGMENT INFORMATION *(Continued)*

(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 31 December 2007 and 2006.

The following table presents revenue for the Company's geographic segments for the years ended 31 December 2007 and 2006.

	2007	2006
	RMB'000	RMB'000
Mainland China	**1,292,293**	1,175,367
Overseas	**283,188**	89,947
	1,575,481	1,265,314

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.

	2007	2006
	RMB'000	RMB'000
Sale of goods	**1,577,843**	1,268,625
Less: Government surcharges	**(2,362)**	(3,311)
Revenue	**1,575,481**	1,265,314

5. OTHER INCOME AND GAINS AND EXPENSES

	2007	2006
	RMB'000	RMB'000
Other income and gains		
Government grants	**8,540**	4,943
Other income	**392**	274
Fair value gains, net	**1,000**	—
	9,932	5,217

5. OTHER INCOME AND GAINS AND EXPENSES *(Continued)*

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

	2007 RMB'000	2006 RMB'000
Other expenses		
Bank charges	**209**	351
Other expenses	**80**	—
	289	351

6. FINANCE REVENUE AND COSTS

	2007 RMB'000	2006 RMB'000
Finance revenue		
Bank interest income	**11,175**	677
Interest on a balance due from Tianda Holding	**—**	1,549
	11,175	2,226
Finance costs		
Bank loan interest	**5,036**	6,456
Interest arising from bill discounting	**272**	45
Foreign exchange losses	**9,025**	2,373
	14,333	8,874

Including in the foreign exchange losses of RMB9,025,000 for the year ended 31 December 2007, there is an exchange loss of RMB7,383,000 (2006: RMB1,185,000) arising from the unspent listing proceeds denominated in HK dollars because of the depreciation of HK dollors against RMB.

7. PROFIT BEFORE TAX

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

	Notes	2007 RMB'000	2006 RMB'000
Costs of sales		**1,276,638**	1,013,539
Depreciation	13	**30,450**	21,499
Amortisation of prepaid land premiums	14	**636**	540
Impairment of trade receivable		**224**	273
Write-down/(reversal) of inventories to net realisable value		**(850)**	250
Research costs		**2,492**	2,736
Auditors' remuneration		**2,850**	725
Staff costs (including directors' and supervisors' remuneration as set out in note 8):			
— Salaries and other staff costs		**28,148**	19,637
— Retirement benefits contributions		**3,579**	2,315

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Details of the remuneration of directors during the years ended 31 December 2007 and 2006, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2007 RMB'000	2006 RMB'000
Fees	**—**	—
Other emoluments:		
Salaries, allowances, bonuses and other benefits	**834**	281
Retirement benefits contributions	**12**	6
	846	287

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

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

	2007	2006
	RMB'000	RMB'000
Directors:		
Ye Shi Qu	**255**	116
Zhang Hu Ming	**255**	101
Zhang Jian Huai	**—**	—
Xie Yong Yang	**205**	70
Liu Peng	**—**	—
	715	287
Independent directors:		
Wu Chang Qi	**25**	—
Wang Xiu Zhi	**25**	—
Zhao Bin	**50**	—
Li Chi Chung	**31**	—
	131	—
Supervisors:		
Yong Jin Gui	**30**	15
Yang Quan Fu	**34**	15
Liu Jun Chang	**40**	34
	104	64

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

The number of directors and supervisors and non-director and non-supervisor employees included in the five highest paid employees during the years ended 31 December 2007 and 2006 is as follows:

	2007	2006
Directors and supervisors	**4**	4
Non-director and non-supervisor employees	**1**	1
	5	5

The details of the remuneration of the non-director, non-supervisor highest paid employee during the years ended 31 December 2007 and 2006 are as follows:

	2007	2006
	RMB'000	RMB'000
Salaries, allowances, bonuses and other benefits	**696**	203
Retirement benefits contributions	**12**	2
	708	205

9. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company had no assessable profits arising in Hong Kong for the year ended 31 December 2007 (2006: Nil).

The Company is 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 it became 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 becomes 25% according to the New Corporate Income Tax Law starting from 1 January 2008.

9. INCOME TAX *(Continued)*

The major components of income tax expense for the years ended 31 December 2007 and 2006 are as follows:

	2007 RMB'000	2006 RMB'000
Current income tax:		
Current income tax charge	**33,553**	33,751
Adjustment in respect of current tax of previous years	**(1,485)**	—
Deferred income tax:		
Relating to origination and reversal of temporary differences	**250**	38,551
Income tax expense reported in the income statement	**32,318**	72,302

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:

	2007 RMB'000	2006 RMB'000
Accounting profit before income tax	**216,060**	190,793
Tax at an applicable tax rate of 33%	**71,300**	62,962
Investment tax credits in respect of purchases of domestically-produced property, plant and equipment	**(38,668)**	—
Difference in deferred tax liabilities arising from the change of tax rate in 2008	**(80)**	—
Adjustment of investment tax credits	**—**	7,262
Adjustment in respect of current tax of previous years	**(1,485)**	—
Tax effect of expense items which are not deductible for income tax purposes	**1,251**	2,078
Income tax expense reported in the income statement	**32,318**	72,302
Effective tax rate	**14.96%**	37.90%

9. INCOME TAX *(Continued)*

The movements in income tax payable during the years ended 31 December 2007 and 2006 are as follows:

	2007	2006
	RMB'000	RMB'000
At beginning of year	**27,342**	914
Provision for the year	**32,068**	33,751
Payment during the year	**(19,683)**	(7,323)
At end of year	**39,727**	27,342

The movements in deferred income tax assets arising from the investment tax credits in respect of purchases of domestically-produced property, plant and equipment during the years ended 31 December 2007 and 2006 are as follows:

	2007	2006
	RMB'000	RMB'000
At beginning of year	**—**	38,551
Deferred tax assets utilised by charging to the income statement during the year	**—**	(38,551)
At end of year	**—**	—

The movements in deferred income tax liabilities arising from the revaluation of foreign currency contracts to fair value during the years ended 31 December 2007 and 2006 are as follows:

	2007	2006
	RMB'000	RMB'000
At beginning of year	**—**	—
Deferred tax liabilities recognised by debiting to the income statement during the year	**(250)**	—
At end of year	**(250)**	—

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the year attributable to the equity holders of the Company and the weighted average number of shares (including Domestic Shares and H Shares) outstanding during the year. The weighted average number of shares for the year ended 31 December 2007 is 507,570,000 (2006: 353,513,000), 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 completed before the beginning of the years ended 31 December 2007 and 2006.

Diluted earnings per share amounts for the years ended 31 December 2007 and 2006 have not been calculated as there were no diluting events during the two years.

11. DIVIDENDS

	2007	2006
	RMB'000	RMB'000
Dividend paid	**25,379**	56,663
Proposed final dividend	**40,606**	25,379
	65,985	82,042

The proposed final dividend of RMB40,606,000 (RMB0.08 per share) for the year is subjected to the approval of the Company's shareholders at the forthcoming annual general meeting.

Pursuant to a resolution of an annual shareholders' meeting on 10 May 2007, the Company's shareholders approved the proposed final dividend for the year ended 31 December 2006 of RMB25,379,000 (RMB0.05 per share) in aggregate 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 was settled by way of setting off against the funds due from Tianda Holding in March 2006.

12. RETIREMENT BENEFITS CONTRIBUTIONS

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 equipment and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
As at 1 January 2006	74,015	167,735	93	10,068	4,277	256,188
Additions	22,857	5,287	—	310	104,408	132,862
Transferred from construction in progress	720	13,391	8	1,194	(15,313)	—
As at 31 December 2006 and 1 January 2007	97,592	186,413	101	11,572	93,372	389,050
Additions	2,016	17,030	1,447	2,944	119,858	143,295
Transferred from construction in progress	4,317	107,396	—	508	(112,221)	—
Transferred to prepaid land premiums	—	—	—	—	(1,775)	(1,775)
As at 31 December 2007	103,925	310,839	1,548	15,024	99,234	530,570
Accumulated depreciation:						
As at 1 January 2006	3,370	19,352	9	2,768	—	25,499
Charge for the year	2,472	17,954	9	1,064	—	21,499
As at 31 December 2006 and 1 January 2007	5,842	37,306	18	3,832	—	46,998
Charge for the year	2,750	26,255	90	1,355	—	30,450
As at 31 December 2007	8,592	63,561	108	5,187	—	77,448
Net book value:						
As at 31 December 2007	95,333	247,278	1,440	9,837	99,234	453,122
As at 31 December 2006	91,750	149,107	83	7,740	93,372	342,052

All buildings of the Company are located in Mainland China.

14. PREPAID LAND PREMIUMS

	2007 RMB'000	2006 RMB'000
Cost:		
At beginning of year	**29,166**	11,320
Additions	**632**	17,846
Transferred from construction in progress	**1,775**	—
At end of year	**31,573**	29,166
Accumulated amortisation:		
At beginning of year	**1,008**	468
Charge for the year	**636**	540
At end of year	**1,644**	1,008
Net book value at end of year	**29,929**	28,158

15. INVESTMENT IN AN ASSOCIATE

	2007 RMB'000	2006 RMB'000
Disposal of an associate	—	500
Carrying amount of the investment	—	—
Share of the associate's revenue and loss:		
Revenue	—	1,269
Loss	—	(23)

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

	2007 **RMB'000**	2006 RMB'000
Raw materials, at cost	**197,822**	114,060
Work in progress, at cost	**22,567**	12,134
Finished goods and merchandises	**151,502**	75,634
	371,891	201,828

Included in inventories as at 31 December 2007 were certain finished goods carried at a net realisable value of RMB1,270,000 (31 December 2006: RMB620,000).

17. TRADE AND NOTES RECEIVABLES

	2007 RMB'000	2006 RMB'000
Notes receivable from third parties	**5,815**	45,729
Trade receivable from third parties	**60,298**	47,097
Impairment	**(459)**	(235)
	65,654	92,591

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

The customers are usually required to make payment in advance before the Company delivers goods to them. However, the Company's trading terms with its overseas customers and certain major domestic customers are on credit. The credit period is generally 1 to 45 days. The Company enters into sales with overseas customers through irrevocable letters of credits. Each major domestic customer has a maximum credit limit. The Company 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 Company's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are unsecured and interest-free.

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

	2007 RMB'000	2006 RMB'000
Outstanding balances with ages:		
Within one year	**59,884**	46,840
Between one and two years	**157**	257
Between two and three years	**257**	—
Over three years	**—**	—
	60,298	47,097

17. TRADE AND NOTES RECEIVABLES *(Continued)*

The movement of provision for impairment of trade receivable are as follows:

	Notes	**2007** **RMB'000**	2006 RMB'000
At 1 January		**235**	1,070
Impairment loss recognised	7	**224**	—
Amount written off as uncollectible		**—**	(835)
		459	235

Included in the above provision for impairment of trade receivable is a provision for individually impaired trade receivables of RMB459,000 (31 December 2006: RMB235,000) with a carrying amount of RMB459,000 (31 December 2006: RMB257,000). The individually impaired trade receivables relate to customers that were in default for a long time. The Company does not hold any collateral or other credit enhancements over these balances.

Pursuant to the tax bureau's approval, the Company wrote off uncollectible trade receivables of RMB835,000 during the year ended 31 December 2006 (2007: Nil).

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

	2007 **RMB'000**	2006 RMB'000
Neither past due nor impaired	**59,839**	46,840

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

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2007	2006
	RMB'000	RMB'000
Prepayments	**119,238**	38,166
Other receivables	**30,548**	19,620
Bank interest receivables	**2,547**	—
Impairment of prepayments and other receivables	**—**	(273)
	152,333	57,513

The Company wrote off uncollectible prepayments of RMB273,000 for the year ended 31 December 2007 (2006: Nil).

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

19. CASH AND SHORT-TERM DEPOSITS

	2007	2006
	RMB'000	RMB'000
Cash at banks and on hand	**62,707**	10,575
Short-term deposits with maturity of three months or less	**100,000**	75,224
Short-term deposits with maturity of over three months	**130,000**	350,630
	292,707	436,429

At the balance sheet date, the cash and short-term deposits balances of the Company denominated in RMB amounted to RMB289,936,000 (31 December 2006: RMB36,122,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is required to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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. The bank balances and deposits are deposits with creditworthy banks with no recent history of default. The carrying amounts of the cash and short-term deposits approximate to their fair values.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2007	
	Assets	**Liabilities**
	RMB'000	RMB'000
Forward currency contracts	**1,100**	100
Portion classified as non-current	**—**	—
Current portion	**1,100**	100

The carrying amount of forward currency contracts are the same as their fair values. The above transactions involving derivative financial instruments are with Bank of China and Industrial and Commercial Bank of China.

The above future currency contracts did not qualify for hedging accounting, and changes in the fair values of the forward currency contracts were charged to the income statement during the year ended 31 December 2007 (2006: Nil).

21. INTEREST-BEARING LOANS AND BORROWINGS

	2007			2006		
	Contractual interest rate(%)	**Maturity**	**RMB'000**	Contractual interest rate(%)	Maturity	RMB'000
Current:						
Bank loans — unsecured	**6.39 — 6.84**	**2008**	**70,000**	6.12	2007	20,000
Current portion of long-term bank loans — unsecured	**—**	**—**	**—**	5.76	2007	50,000
			70,000			70,000
Non-current:						
Bank loans — unsecured	**7.03**	**2011**	**14,587**	5.58	2008	35,000
			84,587			105,000

21. INTEREST-BEARING LOANS AND BORROWINGS *(Continued)*

	2007 RMB'000	2006 RMB'000
Analysed into:		
Bank loans:		
Within one year	**70,000**	70,000
In the second year	**—**	35,000
In the third to fifth years, inclusive	**14,587**	—
	84,587	105,000

Except for a bank loan of EUR1,368,200 (equivalent to approximately RMB14,587,000) as at 31 December 2007 which is negotiated for a 4-year term and bears a variable rate floating in every three months, the Company's remaining bank loans all bear fixed interest and are due within one year.

As of December 2007, the Company's bank loan of EUR1,368,200 (equivalent to approximately RMB14,587,000) (2006: Nil) was guaranteed by Tianda Holding.

22. TRADE AND NOTES PAYABLES

	2007 RMB'000	2006 RMB'000
Notes payable to third parties	**29,317**	20,746
Trade payable to third parties	**52,664**	41,846
Amount due to Tianda Holding	**1,125**	419
Amount due to other related parties	**—**	3,899
	83,106	66,910

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

The amounts 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.

22. TRADE AND NOTES PAYABLES *(Continued)*

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

	2007	2006
	RMB'000	RMB'000
Outstanding balances with ages:		
Within one year	**82,074**	66,290
Between one and two years	**412**	453
Between two and three years	**453**	51
Over three years	**167**	116
	83,106	66,910

23. ACCRUED LIABILITIES AND OTHER PAYABLES

	2007	2006
	RMB'000	RMB'000
Advances from customers	**39,099**	51,135
Payroll payables	**16,047**	12,022
Other payables	**73,085**	58,625
Payable to Tianda Holding	**35,000**	165
	163,231	121,947

Except for the value-added tax and other miscellaneous tax payable included in other payables, all the remaining balances of accrued liabilities and other payables are unsecured, interest-free and have no fixed terms of repayment.

The payable to Tianda Holding of RMB35,000,000 was a short-term financing from Tianda Holding incurred in December 2007 which was unsecured, interest-free and had no fixed terms of repayment. The payable was fully repaid in January 2008.

24. ISSUED CAPITAL

	2007 RMB'000	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
	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 issued 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.

A summary of the transactions during the years ended 31 December 2007 and 2006 with reference to the above movements in the Company's issued capital is as follows:

	Numbers of shares in issue '000	Issued share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2006	340,000	170,000	—	170,000
H share issue on 1 December 2006	145,714	72,857	367,411	440,268
H share issue on 7 December 2006	21,856	10,928	55,085	66,013
	507,570	253,785	422,496	676,281
Deduct: Share issue expenses	—	—	(42,039)	(42,039)
At 31 December 2006 and 31 December 2007	507,570	253,785	380,457	634,242

25. 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 issued by the Ministry of Finance of the People's Republic of China in 2006 (the "**New 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 the paid-up 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 the Company can legally distribute by the way of dividend is based on the lesser amount of the retained earnings determined in accordance with the New 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 as set out above.

26. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Company's principal financial liabilities, other than derivatives, 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 Company also enters into derivative transactions, primarily forward currency contracts. The purpose is to manage currency risks arising from the Company's operations.

It is, and has been, throughout the two years ended 31 December 2007 and 2006, the Company's policy that no trading in derivatives shall be undertaken.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of the risks which are summarised below. The Company's accounts policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with a floating interest rate. The Company does not use derivative financial instruments to hedge its interest rate risk.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Company's equity.

	Increase/decrease in basis points	**Effect on profit before tax** RMB'000
2007		
EUR	+50	73
EUR	-50	(73)
2006		
EUR	+50	—
EUR	-50	—

26. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(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 affected at all times.

The Company does not have any significant investment out of Mainland China. However, the Company has transaction currency exposures. Such exposure arises from sales in currencies other than the Company's functional currency. Approximately 18% of the Company's sales for the year ended 31 December 2007 (2006: 7%) are denominated in currencies other than the functional currency of the Company. Upon receipt of currency other than the functional currency, the Company sells them to the banks immediately.

Since November 2007, the Company has been using forward currency contracts to eliminate its currency exposures arising from overseas sales transactions. It is the Company's policy not to enter into forward contracts until a firm commitment is in place. .

The following table demonstrates the sensitivity to a reasonably possible change in foreign currency exchange rates, 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 as well as forward currency contracts).

NOTES TO FINANCIAL STATEMENTS

26. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

	Increase/decrease in foreign currency rate	Effect on profit before tax RMB'000
US$		
2007	+5%	(1,128)
	-5%	3,323
2006	+5%	—
	-5%	—
EUR		
2007	+5%	(671)
	-5%	671
2006	+5%	—
	-5%	—
HK$		
2007	+5%	53
	-5%	(53)
2006	+5%	20,666
	-5%	(20,666)

Credit risk

It is the Company's policy that customers are required to pay advances before the Company delivers goods to them, except for overseas customers and certain domestic major customers, to whom a credit terms of 1 to 45 days are granted 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.

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.

26. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(Continued)*

Credit risk *(Continued)*

Since the Company trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. There are no significant concentration of credit risk with the Company.

Further quantitative data in respect of the Company's exposure to credit risk arising from trade receivable are disclosed in note 17 to the financial statements.

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., trade receivable) 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.

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

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**more than 5 years**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2007						
Interest-bearing loans and borrowings	—	—	70,000	14,587	—	84,587
Trade and notes payables	53,789	3,597	25,720	—	—	83,106
Accrued liabilities and other payables	163,231	—	—	—	—	163,231
	217,020	3,597	95,720	14,587	—	330,924

26. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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 the 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 years ended 31 December 2007 and 2006.

26. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(Continued)*

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The net debt includes interest-bearing loans and borrowings, trade and notes payables, accrued liabilities and other payables, less cash and bank balances. Capital includes equity attributable to the equity holders. The gearing ratios as at the balance sheet dates were as follows:

	2007 **RMB'000**	2006 RMB'000
Interest-bearing loans and borrowings	**84,587**	105,000
Trade and notes payables	**83,106**	66,910
Accrued liabilities and other payables	**163,231**	121,947
Less: Cash and bank balances	**(292,707)**	(436,429)
Net debt	**38,217**	(142,572)
Equity	**995,735**	837,372
Capital and net debt	**1,033,952**	694,800
Gearing ratio	**4%**	(21%)

27. FINANCIAL INSTRUMENT

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.

27. FINANCIAL INSTRUMENT *(Continued)*

Fair values *(Continued)*

Set out below is a comparison by category of carrying amounts and fair value of all of the Company's financial instruments that are carried in the financial statements:

	Carrying amount		Fair Value	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Cash and short-term deposits	**292,707**	436,429	**292,707**	436,429
Trade and notes receivables	**65,654**	92,591	**65,532**	91,438
Other receivables	**30,548**	19,620	**30,548**	19,620
Bank interest receivables	**2,547**	—	**2,547**	—
Derivative financial instruments	**1,100**	—	**1,100**	—
Financial liabilities				
Trade and notes payables	**(83,106)**	(66,910)	**(82,367)**	(66,661)
Interest-bearing loans and borrowings:				
Floating rate borrowing	**(14,587)**	(85,000)	**(14,587)**	(85,000)
Fixed rate borrowings	**(70,000)**	(20,000)	**(69,957)**	(20,000)
Accrual liabilities and other payables	**(163,231)**	(121,947)	**(163,231)**	(121,947)
Derivative financial instruments	**(100)**	—	**(100)**	—

The fair value of derivatives and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of fixed rate other financial assets have been calculated using market interest rates. The rate of floating rate borrowing will be changed in every three months according to the market interest rate, whose carrying value approximates to its fair value.

28. RELATED PARTY TRANSACTIONS

During the years ended 31 December 2007 and 2006, the Company had the following material transactions with related parties:

	2007 **RMB'000**	2006 RMB'000
Discontinuing:		
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
Interest income received/receivable from Tianda Holding (note d)	**—**	1,549
Continuing:		
Sales of seamless pipes to:		
Tianda Holding (note b)	**—**	284
Related parties (note b)	**5**	115
	5	399
Purchases of water from Tianda Holding (note e)	**706**	617
Purchases of pipe protection casings and packaging materials from related parties (note f)	**283**	5,255
Lease of a dormitory from Tianda Holding (note g)	**96**	96
Guarantees for the bank loans provided by Tianda Holding (note h)	**14,587**	110,000
Compensation of key management personnel		
Short-term employee benefits	**2,654**	677
Retirement benefits contributions	**50**	25
	2,704	702

28. RELATED PARTY TRANSACTIONS *(Continued)*

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

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

(f) These purchases were carried out based on costs incurred plus margin of 5% to 10%, as agreed between the Company and the related parties.

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

(h) Tianda Holding provided corporate guarantees in connection with a 4-year Euro bank loan of EUR1,368,200 (equivalent to approximately RMB14,587,000) to the Company in December 2007 (2006: RMB110,000,000).

(i) 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 the period from 1 July 2004 to 14 October 2006.

(j) 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 similar transaction was made after June 2006.

29. SIGNIFICANT NON-CASH TRANSACTIONS

During the period ended 31 December 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 purchases of property, plant and equipment and a piece of land from Tianda Holding in June 2006, as disclosed in note 28(a).

No significant non-cash transactions incurred in 2007.

30. COMMITMENTS

Capital commitments

	2007 **RMB'000**	2006 RMB'000
Contracted, but not provided for	**350,625**	25,337

Operating lease commitments

Future minimum rentals payable to Tianda Holding under non-cancellable operating leases as at 31 December 2007 and 2006 are as follows:

	2007 **RMB'000**	2006 RMB'000
Within one year	**96**	96
After one year but not more than five years	**—**	96
	96	192

31. POST BALANCE SHEET EVENTS

(a) Pursuant to the resolution of the Board of Directors on 29 February 2008, the directors recommend the payment of a final cash dividend of RMB0.08 per share (inclusive of tax).

It is also recommended that five bonus share be issued for each ten shares held by the shareholders by way of conversion of share premium reserve (the "**Bonus Issue**"). The Bonus Issue is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and the approval of the relevant government authorities of the PRC.

(b) Pursuant to a resolution of the Board of Directors on 29 February 2008, the directors resolve that the Company will apply to CSRC for the issue of a maximum of 67.5 million A shares of RMB1.00 each or 135 million A shares of RMB0.50 each. At the same time, the directors also propose that the Company will effect a share consolidation by which every two issued H shares or domestic shares of RMB0.50 each will be consolidated into one consolidated H share or one consolidated domestic share of RMB1.00 each should the same be required by the relevant authorities. The proposed share consolidation is subject to: (i) the approval of the Company's shareholders at the forthcoming annual general meeting dated 28 April 2008; (ii) consent from the CSRC regarding the share consolidation and the proposed issue of A shares; and (iii) the approval from HKEx.

(c) Pursuant to bank accepted draft agreements entered into with various banks in the period from 1 January to 29 February 2008, the Company pledged term deposits of RMB150,117,000 to the banks to secure the issuance of bank accepted drafts of RMB150,000,000 in total as advance payment for procurement of raw materials.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 29 February 2008.