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)

Interim Report 2008

UNAUDITED KEY OPERATIONAL DATA

	for the six months ended 30 June		
Key operational indicators	**2008 (tonnes)**	**2007 (tonnes)**	**Changes (%)**
Volume of self-produced products sold			
Comprising: Oil well pipes	110,512	90,286	22.4%
Other pipes	22,704	31,718	-28.4%
	133,216	122,004	9.2%
Volume of sourcing & distribution products sold	25,508	22,298	14.4%
Total sales volume	**158,724**	**144,302**	**10.0%**
Comprising: Export sales	62,630	20,030	212.7%
Total production volume	**151,360**	**122,000**	**24.1%**

INCOME STATEMENT

The board of directors (the "**Board**") of Anhui Tianda Oil Pipe Company Limited (the "**Company**") is pleased to present its unaudited interim results for the six months ended 30 June 2008 together with audited comparative figures for the six months ended 30 June 2007.

		For the six months ended 30 June	
		2008	2007
		(Unaudited)	(Audited)
	Notes	**Rmb'000**	Rmb'000
Revenue	2	**1,083,107**	728,561
Cost of sales		**(896,524)**	(584,960)
Gross profit		**186,583**	143,601
Other income		**2,866**	5,678
Selling and distribution costs		**(34,376)**	(24,216)
Administrative expenses		**(18,743)**	(17,284)
Other expenses	3	**(134)**	(195)
Operating profit		**136,196**	107,584
Finance revenue		**4,225**	7,323
Finance costs		**(5,389)**	(11,025)
Profit before tax		**135,032**	103,882
Income tax expenses	4	**(33,355)**	(33,332)
Profit for the period		**101,677**	70,550
Dividends	5	**40,606**	25,379
Earnings per share			
Basic, profit for the period	6	**Rmb0.134**	Rmb0.093

BALANCE SHEET

	Notes	As at 30 June 2008 (Unaudited) Rmb'000	As at 31 December 2007 (Audited) Rmb'000
ASSETS			
Non-current assets			
Property, plant and equipment		**561,502**	453,122
Prepaid land premiums		**29,602**	29,929
Deferred taxation asset		**2,282**	—
		593,386	483,051
Current assets			
Inventories		**500,649**	371,891
Trade and notes receivables	7	**137,651**	65,654
Prepayments, deposits and other receivables		**624,163**	152,333
Derivative financial instruments		**1,700**	1,100
Cash and bank balances		**209,453**	292,707
		1,473,616	883,685
TOTAL ASSETS		**2,067,002**	1,366,736
EQUITY AND LIABILITIES			
Equity			
Issued capital		**380,678**	253,785
Reserves		**676,128**	701,344
Proposed final dividend		**—**	40,606
Total equity		**1,056,806**	995,735
Non-current liabilities			
Interest-bearing loans and borrowings		**20,059**	14,587
Deferred taxation liabilities		**675**	250
		20,734	14,837
Current liabilities			
Interest-bearing loans and borrowings		**361,900**	70,000
Trade and notes payables	8	**413,613**	83,106
Income tax payable		**35,212**	39,727
Accrued liabilities and other payables		**178,137**	163,231
Derivative financial instruments		**600**	100
		989,462	356,164
TOTAL LIABILITIES		**1,010,196**	371,001
TOTAL EQUITY AND LIABILITIES		**2,067,002**	1,366,736
NET CURRENT ASSETS		**484,154**	527,521
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,077,540**	1,010,572

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to equity holders of the Company						
	Issued capital Rmb'000	Share premium account Rmb'000	Statutory surplus reserve Rmb'000	General surplus reserve Rmb'000	Retained earnings Rmb'000	Proposed final dividend Rmb'000	Total Rmb'000
(Unaudited)							
At 1 January 2008	**253,785**	**380,457**	**47,249**	**6,634**	**267,004**	**40,606**	**995,735**
Profit for the period	**—**	**—**	**—**	**—**	**101,677**	**—**	**101,677**
Share premium transfer to capital	**126,893**	**(126,893)**	**—**	**—**	**—**	**—**	**—**
Reclassification	**—**	**46,088**	**(13,171)**	**(6,634)**	**(26,283)**	**—**	**—**
2007 final dividend declared (Note 5)	**—**	**—**	**—**	**—**	**—**	**(40,606)**	**(40,606)**
At 30 June 2008	**380,678**	**299,652**	**34,078**	**—**	**342,398**	**—**	**1,056,806**
(Audited)							
At 1 January 2007	253,785	380,457	28,875	6,634	142,242	25,379	837,372
Profit for the period	—	—	—	—	70,550	—	70,550
2006 final dividend declared (Note 5)	—	—	—	—	—	(25,379)	(25,379)
At 30 June 2007	253,785	380,457	28,875	6,634	212,792	—	882,543

CONDENSED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Audited)
	Rmb'000	Rmb'000
Net cash flow (used in)/from operating activities	**(210,198)**	56,974
Net cash flow (used in)/from investing activities	**(140,769)**	303,921
Net cash flow from/(used in) financing activities	**253,213**	(93,462)
Net (decrease)/increase in cash and cash equivalents	**(97,754)**	267,433
Cash and cash equivalents at beginning	**162,707**	85,799
Cash and cash equivalents at end	**64,953**	353,232

NOTES

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.

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 People's Republic of China (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.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

2. 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.

	For the six months ended	
	2008	2007
	Unaudited	Audited
	Rmb'000	Rmb'000
Sale of goods	**1,083,559**	730,200
Less: Government surcharges	**(452)**	(1,639)
Revenue	**1,083,107**	728,561

3. PROFIT BEFORE TAX

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

	For the six months ended	
	2008	2007
	Unaudited	Audited
	Rmb'000	Rmb'000
Costs of sales	**896,524**	584,960
Depreciation	**17,238**	13,875
Amortisation of prepaid land premiums	**327**	309
Impairment of trade receivable	**—**	224
(Reversal)/Write-down of inventories to net realisable value	**(900)**	690
Research costs	**3,721**	987
Auditors' remuneration	**710**	667
Staff costs (including directors' and supervisors' remuneration):		
— Salaries and other staff costs	**15,590**	12,008
— Retirement benefits contributions	**2,340**	1,630

4. 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 six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

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 has become 25% according to the New Corporate Income Tax Law starting from 1 January 2008.

4. INCOME TAX *(continued)*

The major components of income tax expense for the six months ended 30 June 2008 and 2007 are as follows:

	For the six months ended	
	2008	2007
	Unaudited	Audited
	Rmb'000	Rmb'000
Current income tax:		
Current income tax charge	**35,212**	34,817
Adjustment in respect of current tax of previous periods	**—**	(1,485)
Deferred income tax:		
Relating to origination and reversal of temporary differences	**(1,857)**	—
Income tax expense reported in the income statement	**33,355**	33,332

5. DIVIDENDS

	For the six months ended	
	2008	2007
	Unaudited	Audited
	Rmb'000	Rmb'000
Dividend	**40,606**	25,379

The Board does not recommend any interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

Pursuant to a resolution of an annual shareholders' meeting on 28 April 2008, the Company's shareholders approved the proposed final dividend for the year ended 31 December 2007 of Rmb40,606,000 (Rmb0.08 per share) in aggregate to the then shareholders.

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.

6. EARNINGS PER SHARE

The Company issued and alloted on 23 May 2008 bonus shares to each shareholder, whose name was recorded on the Company's register of members on 28 April 2008. Each of these shareholders were offered 5 new shares for every 10 shares held as a bonus issue. Hence, the adjusted total number of shares was applied in calculating the earnings per share for each reporting period.

The calculation of basic earnings per share is based on the net profit for the period attributable to the equity holders of the Company and the weighted average number of shares (including ordinary shares in the Company which are subscribed for by domestic shareholders (the "**Domestic shares**") and foreign invested overseas listed shares in the Company (the "**H shares**") outstanding during the period. The weighted average number of shares for the six months ended 30 June 2008 is 761,355,000 (six months ended 30 June 2007 (re-stated): 761,355,000).

Diluted earnings per share amounts for the six months ended 30 June 2008 and 2007 have not been calculated as there were no diluting events during the two periods.

7. TRADE AND NOTES RECEIVABLES

	At 30 June 2008 Unaudited Rmb'000	At 31 December 2007 Audited Rmb'000
Notes receivable from third parties	**26,588**	5,815
Trade receivable from third parties	**111,422**	60,298
Impairment	**(359)**	(459)
	137,651	65,654

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 maintains 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.

7. TRADE AND NOTES RECEIVABLES *(continued)*

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

	As at 30 June 2008 Unaudited Rmb'000	As at 31 December 2007 Audited Rmb'000
Outstanding balances with ages:		
Within one year	**111,036**	59,884
Between one and two years	**104**	157
Between two and three years	**282**	257
Over three years	**—**	—
	111,422	60,298

8. TRADE AND NOTES PAYABLES

	As at 30 June 2008 Unaudited Rmb'000	As at 31 December 2007 Audited Rmb'000
Notes payable to third parties	**366,946**	29,317
Trade payable to third parties	**45,365**	52,664
Amount due to Anhui Tianda Enterprise (Group) Company Limited ("**Tianda Holding**")	**1,302**	1,125
	413,613	83,106

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

8. TRADE AND NOTES PAYABLES *(continued)*

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

	As at 30 June 2008 Unaudited Rmb'000	As at 31 December 2007 Audited Rmb'000
Outstanding balances with ages:		
Within one year	**412,676**	82,074
Between one and two years	**320**	412
Between two and three years	**450**	453
Over three years	**167**	167
	413,613	83,106

9. SEGMENT INFORMATION

Segment information is presented by way of two segment formats:

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

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

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

- Manufacturing seamless steel pipes
- Sourcing and distributing seamless steel pipes

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

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

NOTES

9. SEGMENT INFORMATION *(continued)*

(a) Business segments

The following table presents revenue and profit for the Company's business segments for the six months ended 30 June 2008 and 2007.

	Manufacturing seamless steel pipes Rmb'000	Sourcing and distributing seamless steel pipes Rmb'000	Total Rmb'000
Six months ended 30 June 2008 (Unaudited)			
Revenue	**902,242**	**180,865**	**1,083,107**
Results			
Segment gross profit	**162,525**	**24,058**	**186,583**
Unallocated other income			**2,866**
Unallocated expenses			**(53,253)**
Net finance costs			**(1,164)**
Profit before tax			**135,032**
Income tax expense			**(33,355)**
Profit for the period			**101,677**

NOTES

9. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

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

9. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

The following table presents certain asset, liability and expenditure information for the Company's business segments as at 30 June 2008 and 31 December 2007.

	Manufacturing seamless steel pipes Rmb'000	Sourcing and distributing seamless steel pipes Rmb'000	Total Rmb'000
As at 30 June 2008 (Unaudited)			
Assets			
Segment assets	1,074,991	16,763	1,091,754
Unallocated assets			975,248
Total assets			2,067,002
Liabilities			
Segment liabilities			—
Unallocated liabilities			1,010,196
Total liabilities			1,010,196
Other segment information			
Capital expenditure	125,618	—	125,618
Depreciation and amortisation	17,565	—	17,565
Impairment of assets recognised	—	—	—
Impairment of assets recovered	(900)	—	(900)

9. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

	Manufacturing seamless steel pipes Rmb'000	Sourcing and distributing seamless steel pipes Rmb'000	Total Rmb'000
As at 31 December 2007 (Audited)			
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 recognised	224	—	224
Impairment of assets recovered	(850)	—	(850)

(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 as of 30 June 2008 and 31 December 2007.

The following table presents revenue for the Company's geographic segments for the six month ended 30 June 2008 and 2007.

	Six months ended 30 June	
	2008	2007
	Unaudited	Audited
	Rmb'000	Rmb'000
PRC	**627,919**	610,376
Overseas	**455,188**	118,185
	1,083,107	728,561

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2008, the Company recorded unaudited total revenue of approximately Rmb1,083,107,000 (six months ended 30 June 2007: approximately Rmb728,561,000). Compared to the corresponding period in the previous year, there is an increase in the total revenue of approximately Rmb354,546,000 or a growth of approximately 48.7%. This increase was primarily attributable to factors including the Company's increased sales and as result of the increase in production output of the production lines, the increase in sales of comparative higher gross margin products resulting from the product mix upgrade and the increase in average selling price accompanying the increase in raw materials prices. For the six months ended 30 June 2008, the Company recorded export sales of approximately Rmb455,188,000 (six months ended 30 June 2007: approximately Rmb118,185,000), having increased approximately Rmb337,003,000 or increased approximately 285.1% as compared with the corresponding period last year. The huge increase in export sales has enhanced the customer base of the Company and successfully opened up the international market with enormous potential.

For the six months ended 30 June 2008, the Company recorded gross profit of approximately Rmb186,583,000 (six months ended 30 June 2007: approximately Rmb143,601,000). Compared to the corresponding period in the previous year, there is an increase in the gross profit of approximately Rmb42,982,000 or a growth of approximately 29.9%. It is primarily the result of the increase in the proportion of the sales of oil well pipes and the sales of threaded and heat treated oil well pipes among the Company's total turnover and the upgrade of customer base.

For the six months ended 30 June 2008, gross profit per tonne was approximately Rmb1,175.5 (six months ended 30 June 2007: approximately Rmb995.1). Compared to the corresponding period in the previous year, there is an increase in the gross profit of approximately Rmb180.4 or a growth of approximately 18.1%.

Selling and distribution expenses of the Company amounted to approximately Rmb34,376,000 for the six months ended 30 June 2008 (six months ended 30 June 2007: approximately Rmb24,216,000). Compared to the corresponding period in the previous year, there is an increase in the selling and distribution expenses of approximately Rmb10,160,000 or a growth of approximately 42.0%. Such increase was due to the speedy growth of the Company's turnover and export sales leading to more selling and distribution costs including international freight costs being incurred. For the six months ended 30 June 2008, the Company recorded administrative expenses of approximately Rmb18,743,000 (six months ended 30 June 2007: approximately Rmb17,284,000). Compared to the corresponding period in the previous year, there is an increase in the administrative expenses of approximately Rmb1,459,000 or a growth of approximately 8.4%.

The Company's finance revenue for the six months ended 30 June 2008 was approximately Rmb4,225,000 (six months ended 30 June 2007: approximately Rmb7,323,000). Compared to the corresponding period in the previous year, there is a decrease in the finance revenue of approximately Rmb3,098,000. This was primarily attributable to the decrease in interest received from the reducing balances of time deposit.

The Company recorded net profit attributable to equity holders of approximately Rmb101,677,000 for the six months ended 30 June 2008 (six months ended 30 June 2007: approximately Rmb70,550,000). Compared to the corresponding period in the previous year, there is an increase in the net profit attributable to equity holders of approximately Rmb31,127,000 or a growth of approximately 44.1%. The main reason was the growth in turnover and the downward adjustment in income tax rate.

OPERATIONS REVIEW

During the period under review, the energy industry including oil, natural gas and electricity and equipment manufacturing industry like shipbuilding still maintain steady growth in demand given the challenge from upsurge in raw material prices, the business of the Company still maintains its robust and satisfactory growth. Besides, the effective implementation of optimizing the Company's product mix and the strategy of exploring international market also offer strong contribution to the business of the Company.

Consistent upgrade of product mix and further increase in output

To enhance the profitability of the Company, during the period under review, the Company kept focusing on the strategy of the upgrade of product mix. The proportion of products with high added value and with advanced technological features was increased continuously. For the period under review, the processing volume of its products was significantly increased as compared with last year and the Company produced high grade oil well pipes approximately 48,600 tonnes (six months ended 30 June 2007: 27,700 tonnes) and oil well pipes with the American Petroluem Institute (the "**API**") standard round thread and buttress thread of approximately 31,100 tonnes (six months ended 30 June 2007: Nil).

Actual production output of the Company for the six months ended 30 June 2008 was approximately 151,360 tonnes (six months ended 30 June 2007: 122,000 tonnes) with 24.1% increase as compared with the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Notable growth from effective international market exploration

As world oil price remains at a high level, international oil exploration activities remain active which fueled the strong demand for oil well pipes. Following the expansion in production scale of the Company and the rise of its position in the industry, opening up international market and striving for larger market share become an important mission of the Company. For the period under review, the Company implemented a series of measures to continuously promote the image and popularity of the Company among international markets with significant results.

During the period under review, the Company achieved export sales of approximately Rmb455,188,000 (six months ended 30 June 2007: approximately Rmb118,185,000) being 285.1% as compared with corresponding period last year. Within the period, the Company successfully built and maintained the cooperative relationship with a number of international well-known trading enterprises and entered into framework agreements for strategic cooperation. Furthermore, some of those enterprises awarded to the Company "Best Cooperation Partner in China Awards" and "Excellent Product Quality Awards".

Continual expansion and upgrade of customer base

The Company takes development of the major oil fields market in China seriously. Following the successful recognition of the Company by the three largest oil enterprises namely, China National Petroleum Corporation (the "**CNPC**"), China Petroleum and Chemical Corporation ("**Sinopec**") and China National Offshore Oil Corporation ("**CNOOC**") as their qualified supplier of oil well pipes last year, the Company then successfully explored the market with Yanchang Oilfield Company Limited ("**Yanchang Oilfield**"), the fourth largest oil field exploration enterprise in China.

While exploring oil fields market, the Company also pays attention to the development of the high-end specialized pipe products for the equipment manufacturing industry and has successfully opened up the market for vehicle-bridge pipe. In addition, the Company further strengthened its cooperative relationship with sizable vessel and boiler manufacturing enterprises.

Within the period, overseas markets have become the major market of the Company. Besides maintaining international popularity and diversifying customer base, the Company has progressively explored new markets including the Middle East, Southeast Asia and Africa, etc.

Market orientation with customer centered research and development

Investment in research and development, through research and development of new high end products, improving work flow, minimizing production wastage and enhancing production efficiency, is the on-going focus of the Company.

During the period, the Company increased its investment in the upgrade and modification of facilities for research and development and for inspection. The Company has successfully developed a series of oil well pipe products with pressure resistance, anti-corrosion, anti-collapse and non-quenched and tempered features together with the completion of the technology application of certain non-API specialized threaded products, by various means including in-house development and cooperative development.

Phase II of the 861 Action Plan — progress of the construction of high grade oil well pipe production line project

During the period under review, the Company was actively rolling out the construction work of the 300,000 tonnes high grade oil well pipe production line project. The engineering construction progress is on schedule. Within the period, the Company paid the deposit according to the terms of the acquisition contract for the core equipment of the production line. In order to ensure such most advanced and state-of-the-art PQF® 3-roll pipe six stacks continuous pipe rolling mill will effectively release its production capacity, the Company has assigned its production technicians to Germany and conducted in-depth discussion with the German equipment manufacturer — SMS Meer Gmbh, regarding the technology application of PQF® pipe mill production technique.

Within the period, the Company commenced the construction of factory for the phase II of the 861 Action Plan. Currently, basic works like site ground levelling, piling and cement foundation have been completed and is now commencing steel structure installation of factory plant. It is expected that the factory will be completed by the end of 2008.

Progress of the application for A share issue

After attaining the approval from shareholders of the Company on 28 April 2008, the Company will lodge its application to the China Securities Regulatory Commission (the "**CSRC**") when it is appropriate for the initial issue and listing of A shares. Please refer to the announcement and circular of the Company dated 29 February 2008 and 12 March 2008 respectively for further details.

The Company will disclose the progress of it's A share issue and listing matters in due course as required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

Major events

During the period, the Company converted Rmb126,892,500 from its share premium account into share capital of 253,785,000 shares at 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 were offered additional 5 shares for every 10 shares they held as a bonus issue. After the conversion, the issued share capital of the Company is 761,355,000 shares.

Within the period, the board lot size of H shares of the Company changed from 2,000 shares per board lot to 1,000 shares per board lot.

Liquidity and financial resources

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

As at 30 June 2008, the Company's cash and bank deposits amounted to approximately Rmb209,453,000 (31 December 2007: approximately Rmb292,707,000). As at 30 June 2008, the Company's interest-bearing loans and borrowings amounted to Rmb381,959,400 (31 December 2007: Rmb84,587,000). There is no particular seasonality of the Company's borrowings.

The Company's gearing ratio as at 30 June 2008 was approximately 18.5% (31 December 2007: approximately 6.2%), which is a percentage based on the interest-bearing loans and borrowings divided by total assets.

Charges on assets

As at 30 June 2008, none of the Company's property, plant and equipment were pledged to secure the banking facilities of the Company (31 December 2007: Nil). As at 30 June 2008, bank time deposit amounted to Rmb25,500,000 were pledged against the 3,546,000 United States dollars (equivalent to approximately Rmb24,322,369) irrevocable long-term letter of credit drawn by bank.

Significant investments held

During the six months ended 30 June 2008, the Company did not have any significant investment.

Major acquisition and disposal

The Company did not make any major acquisition or disposal during the six months period ended 30 June 2008.

Contingent liabilities

As at 30 June 2008, the Company's contingent liabilities included bank accepted drafts endorsed with recourse amounted to approximately Rmb200,801,000 (31 December 2007: approximately Rmb246,167,000).

Foreign exchange risk

For the six months ended 30 June 2008, the Company did not have any significant investment outside mainland China. 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. The Company usually sells all its non-functional currencies to banks immediately after receipt.

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

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

Segmental information

1. Self-produced specialized pipes

   For the six months ended 30 June 2008, the sales volume of the Company's self-produced pipes was 133,216 tonnes (for the six months ended 30 June 2007: 122,004 tonnes), representing an increase of approximately 9.2% as compared with the corresponding period last year. During the period, the sales volume of the self-produced oil well pipes accounted for approximately 83.0% of the total volume of the Company's self-produced products sold (six months ended 30 June 2007: approximately 74.0%).

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.

For the six months ended 30 June 2008, the sales volume of the Company's sourcing and distribution of specialized pipes was 25,508 tonnes (for the six months ended 30 June 2007: 22,298 tonnes), representing an increase of approximately 14.4% as compared with the corresponding period last year.

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.

Human resources

The Company believes that the quality of its employees is one of the most important factors for its development and growth and the enhancement of its profitability. As at 30 June 2008, the Company had 1,244 employees (as at 31 December 2007: 1,133 employees). The remuneration package for the Company's employees 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.

Post balance sheet event

The Company did not have any significant event occurred from the balance sheet date of 30 June 2008 to the date of this report.

Prospect

It is expected that the increase in selling prices of its high-end products including high grade oil well pipes, pressurized boiler pipes, specialized vessel pipes and transmission pipes will out-weight the upsurge in steel price, as the Company highly emphasized its research and development of products, products advanced processing and market exploration. In response to the robust demand in domestic and international markets, it is believed that prices of high-end products will stay at a high level and such situation will remain unchanged in the short run.

As the level of specialized pipe manufacturing in China generally raised, accompanying the strong demand for specialized pipes in energy industry and equipment manufacturing industry fueled by the growth of the global economy, customers are gradually shifted to rely on the specialized pipe production capability of China. Such reliance would certainly promote the further development of the specialized pipe industry in China.

The Company will capitalize on its rich expertise in the specialized pipe industry, accumulated from its dedication to the industry during the past 15 years, to firmly seize any further development opportunity in the energy and equipment manufacturing industry. The Company will fully utilize its production techniques, craftsmanship, continual research and innovation in equipment efficiency to consolidate and continuously promote the competitiveness of the Company in the industry. In order to diversify into the energy and equipment manufacturing industry, which is much bigger and with potential, the Company will put in research and development resources into the development of specialized pipes for the equipment manufacturing industry including transmission pipes and boiler pipes for power plants. It is targeted to capture market share for high-end products.

Under the joint effort from our outstanding management team and our staff as a whole, the Company has the confidence to build this company into a world renowned and also a domestically leading specialized pipe supplier in the energy industry and the equipment manufacturing industry which also provides sourcing and services, and to create value for shareholders, customers, staff and the society and various counterparts continuously and stably.

A. Enhancing operation efficiency through research and development

The Company will gradually strengthen its research in the production craftsmanship for specialized pipes applicable to the energy and equipment manufacturing industry and will put up its ability in commanding its advanced production equipments 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.

In order to achieve the continuous and steady growth of the enterprise operating profit, during the first half of the year, the Company decisively and positively adopted tactics including product mix optimization measures and the development of international market in order to raise the product profit margin gradually. Effects from such tactics have been crystallized, in the second quarter, the Company's gross margin has already presented the remarkable rise. The Company will keep on its product mix and customer base optimization so as to enhance the profit margin of its products continuously.

The Company will continue its market oriented strategy and fully utilize its in-house research and development resources. It will continue the research and development of API and non-API Standard high-end oil well pipe products with high steel grade, high strength, high anti-collapse and pipes with special threads, so as to cater for the exploration requirements of offshore oil wells, arctic area oil wells, harsh geological environment such as high pressure and extreme corrosion and oil wells with complicated oil and gas contents. At the same time, the Company will proceed with the research and development of high-end products including transmission pipes, boiler pipes for power plant, vessel pipes and vehicle-bridge pipe for heavy trucks.

B. *Putting more efforts in market development and optimizing customer base*

While keeping on consolidating and strengthening its cooperative relationship with CNPC, Sinopec, CNOOC and Yanchang Oilfield, the Company will enhance its efforts on the continual development of new markets including the Middle East, Southeast Asia and Africa so as to maintain the sustainable growth in export sales and the optimization of its customer base. Among its existing markets, the Company will actively explore the specialized pipes market for transmission pipes, boiler pipes for power plants, vessel pipes and vehicle-bridge pipes for heavy trucks.

C. *Keeping up the edge of one-stop services*

Relying on the strategic advantage of one-stop service, the Company can have close watch to 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*

In order to meet the strong demand in the high grade oil well pipe market in future, the Company will endure to attain satisfactory engineering works progress for the construction of the 300,000 tonnes high grade oil well pipe production line project (i.e. Phase II of the 861 Action Plan) and to ensure the best quality of the construction works and of the equipments together with the proper training of production technicians and management team.

E. Construction project of 300,000 tonnes heat treatment and 300,000 tonnes threading advanced processing lines

To fulfill the demand for high-end specialized pipes in future, the Company considers to activate the construction project for a 300,000 tonnes heat treatment and a 300,000 tonnes threading advanced processing lines during the second half of 2008. The project targeted the professional production of high-end oil well pipes and equipment manufacturing industry applicable specialized pipes products with features of high steel grade and pipes with special threads. The implementation of such project would help further upgrade the product profile, valued-added and raising profitability of the Company.

F. Actively expanding to domestic and international capital market recognition and identifying cooperation opportunities within the industry

In future, the Company may invite more investments from domestic and international capital. It may also actively explore any possible chance for closer cooperation with upstream and downstream industries taking credits from all merger and acquisition opportunities in the industry. The Company will also take a proactive role in identifying strategic cooperation partners both domestically and internationally and may attempt merger and takeover deals as and when appropriate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS

For the six months ended 30 June 2008, the directors of the Company 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.

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

As at 30 June 2008, the interests of the directors, supervisors and chief executive of the Company in the shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance 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:

MANAGEMENT DISCUSSION AND ANALYSIS

Name of Company	Name of Director or Supervisor	Capacity	Nature of interest and number of shares/ amount of capital contribution (RMB) Personal Interests	Family Interests	Corporate Interests	Other Interests	Total number of shares/ Total amount of capital contribution	Percentage holding of shares/ Interest in the registered capital of the relevant associated corporation	Approximate percentage of the total issued share capital of the Company
Company	Ye Shi Qu	Interest in controlled corporation (Note 1)	—	—	510,000, 000 Domestic shares	—	510,000,000 Domestic shares	—	67%
Company	Ye Shi Qu	Interest in controlled corporation (Note 1)	—	—	7,008, 000 H shares	—	7,008, 000 H shares	—	0.9%
Tianda Holding	Ye Shi Qu	Beneficial owner	RMB198,985,900	—	—	—	RMB198,985,900	85.14%	—
Anhui Tianda Investment Company Limited ("**Tianda Investment**")	Ye Shi Qu	Interest in controlled corporation (Note 2)	RMB50,000,000	—	—	—	RMB50,000,000	100%	—
Tiancheng Changyun International Company Limited ("**Tiancheng Changyun**")	Ye Shi Qu	Interest in controlled corporation (Note 2)	HK$1	—	—	—	HK$1	100%	—
Tianda Holding	Zhang Hu Ming	Beneficial owner	RMB9,166,700	—	—	—	RMB9,166,700	3.9%	—
Tianda Holding	Xie Yong Yang	Beneficial owner	RMB2,363,600	—	—	—	RMB2,363,600	1.01%	—
Tianda Holding	Zhang Jian Huai	Beneficial owner	RMB35,000	—	—	—	RMB35,000	0.015%	—
Tianda Holding	Liu Jun Chang	Beneficial owner	RMB1,750,000	—	—	—	RMB1,750,000	0.75%	—
Tianda Holding	Yong Jin Gui	Beneficial owner	RMB2,577,800	—	—	—	RMB2,577,800	1.1%	—

Notes:

1. Pursuant to the SFO, as Ye Shi Qu holds 85.14% of the equity interest in Tianda Holding and as Tianda Investment and Tiancheng Changyun are wholly-owned subsidiaries of Tianda Holding, Ye Shi Qu is deemed to be interested in all of the 408,000,000 Domestic shares held by Tianda Holding, 102,000,000 Domestic shares held by Tianda Investment and 7,008,000 H shares held by Tiancheng Changyun.

2. Pursuant to the SFO, as Ye Shi Qu holds 85.14% of the equity interest in Tianda Holding and as Tianda Investment and Tiancheng Changyun are wholly-owned subsidiaries of Tianda Holding, Ye Shi Qu is deemed to be interested in 100% of the registered capital of Tianda Investment and Tiancheng Changyun.

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 30 June 2008.

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

So far as is known to the directors, supervisors and chief executives of the Company, as at 30 June 2008, none of the directors, supervisors or chief executives of the Company or any of their spouses and children under 18 years of age had any interest in, or has been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company or to acquire H shares of the Company.

SUBSTANTIAL SHAREHOLDERS

So far as the directors, the supervisor or chief executive of the Company are aware, as at 30 June 2008, 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	408,000,000 (L)	80%	53.6%
	Interests in controlled corporation (Note 2)	Domestic shares	102,000,000 (L)	20%	13.4%
	Interests in controlled corporation (Note 2)	H shares	7,008,000 (L)	2.8%	0.9%
Tianda Investment	Beneficial owner	Domestic shares	102,000,000 (L)	20%	13.4%
Ye Shi Qu (Note 2)	Interests in controlled corporations	Domestic shares	510,000,000 (L)	100%	67%
	Interests in controlled corporation (Note 2)	H shares	7,008,000 (L)	2.8%	0.9%

Name	Capacity	Class of Shares	Number of shares	% of total number of the relevant class of shares	% of total number of issued shares
Hillhouse Capital Management, Ltd. (Note 3)	Interests in controlled corporations	H shares	25,180,000 (L)	15.0%	5.0%
GLHH Fund II L.P (Note 3)	Beneficial owner	H shares	16,825,000 (L)	10.0%	3.3%
Baring Asset Management Limited (Note 3)	Investment manager	H shares	14,906,000 (L)	9.0%	2.9%
Northern Trust Fiduciary Services (Ireland) Limited (Note 3)	Trustee	H shares	13,200,000 (L)	7.9%	2.6%
Wasatch Advisors, Inc.	Investment manager	H shares	17,489,037 (L)	7.0%	2.3%
Credit Agricole Asset Management (Note 4)	Interests in controlled corporation	H shares	13,899,000 (L)	5.5%	1.8%
Desmarais Paul G. (Note 3)	Interests in controlled corporation	H shares	8,884,000 (L)	5.3%	1.8%
Gelco Enterprises Ltd. (Note 3)	Interests in controlled corporation	H shares	8,884,000 (L)	5.3%	1.8%
IGM Financials Inc. (Note 3)	Interests in controlled corporation	H shares	8,884,000 (L)	5.3%	1.8%
Nordex Inc. (Note 3)	Interests in controlled corporation	H shares	8,884,000 (L)	5.3%	1.8%
Power Corporation of Canada (Note 3)	Interests in controlled corporation	H shares	8,884,000 (L)	5.3%	1.8%
Power Financial Corporation (Note 3)	Interests in controlled corporation	H shares	8,884,000 (L)	5.3%	1.8%
Gaoling Fund, L.P. (Note 3)	Beneficial owner	H shares	8,787,000 (L)	5.2%	1.7%
Credit Agricole Asset Management Hong Kong Limited (Note 3)	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 85.14% of the equity interest in Tianda Holding, and as Tianda Investment and Tiancheng Changyun are wholly-owned subsidiaries of Tianda Holding, Ye Shi Qu is deemed to be interested in all of the 408,000,000 Domestic shares held by Tianda Holding, 102,000,000 Domestic shares held by Tianda Investment and 7,008,000 H shares held by Tiancheng Changyun.

Note 3: These disclosure of interest notices were received by the Company before 23 May 2008, the date of which shareholders were offered by the Company additional 5 shares for every 10 shares being held as a bonus issue. Therefore, number of shares and the respective percentages reported herein has not been adjusted for the effect of such bonus issue.

Note 4: According to information provided by Credit Agricole Asset Management on 27 August 2008.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2008.

CORPORATE GOVERNANCE

Throughout the period under review, the Company has complied with the code of provisions in the Code on Corporate Governance Practices (the "**Corporate Governance Code**") as set out in Appendix 14 of the Listing Rules. The Board and the senior management of the Company have appraised themselves of the requirements of the Corporate Governance Code and reviewed the practices of the Company to ensure compliance.

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 of the Company (the "**Code**"). All directors of the Company have complied with the required standard as set out in the Code during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the financial statements for the six months ended 30 June 2008. The Audit Committee currently comprises two independent non-executive directors, Mr. Zhao Bin and Mr. Wu Chang Qi and one non-executive director Mr. Zhang Jian Huai. Mr. Zhao Bin is the chairman of the Audit Committee.

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

Anhui China, 28 August 2008

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