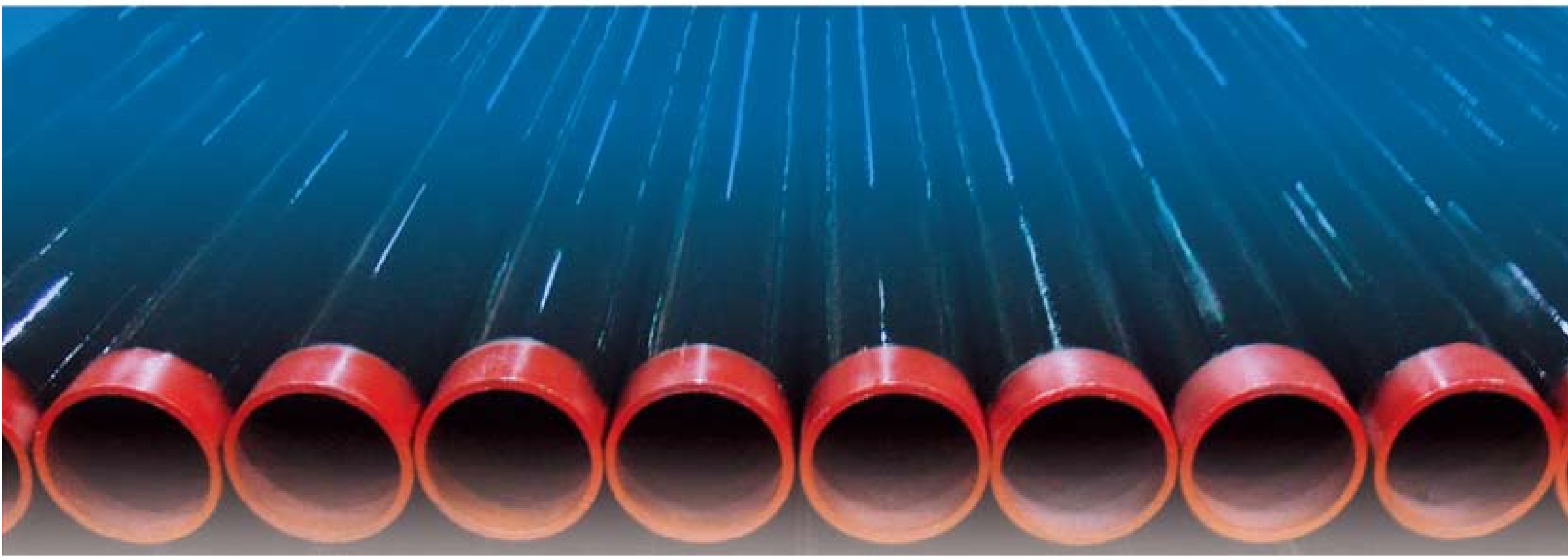
Anhui Tianda Oil Pipe Company Limited
安徽天大石油管材股份有限公司

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

(Stock Code : 839)



Annual Report 2008

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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

LIU Peng

Independent Non-executive Directors

WU Chang Qi
ZHAO Bin

SUPERVISORY COMMITTEE

Supervisors

LIU Jun Chang *(Chairman)*
YONG Jin Gui
YANG Quan Fu

COMPLIANCE OFFICER

ZHANG Hu Ming

QUALIFIED ACCOUNTANT

ZHANG Jian Huai

COMPANY SECRETARY

WAN Man Wah

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1407, 14th Floor,
Hang Shing Building
363 Nathan Road
Kowloon, Hong Kong

AUDIT COMMITTEE

ZHAO Bin *(Chairman)*
WU Chang Qi
LIU Peng

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

RECEIVING AGENT

ICBC (Asia) Trustee Company Limited
33/F ICBC Tower
3 Garden Road
Central, 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)
(852 6381 0079)

FINANCIAL SUMMARY

	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000	2004 RMB'000
Profit and loss items					
Revenue	**2,636,580**	1,575,481	1,265,314	906,590	333,645
Gross Profit	**516,694**	298,843	251,775	144,181	45,592
Net Profit attributable to equity holders	**302,220**	183,742	118,491	71,874	74,100
Balance sheet items					
Total non-current assets	**773,110**	483,051	370,210	280,546	275,442
Total current assets	**980,630**	883,685	788,361	305,103	86,507
Total assets	**1,753,740**	1,366,736	1,158,571	585,649	361,949
Total non-current liabilities	**48,693**	14,837	35,000	85,000	65,000
Total current liabilities	**447,698**	356,164	286,199	189,347	170,480
Total liabilities	**496,391**	371,001	321,199	274,347	235,480

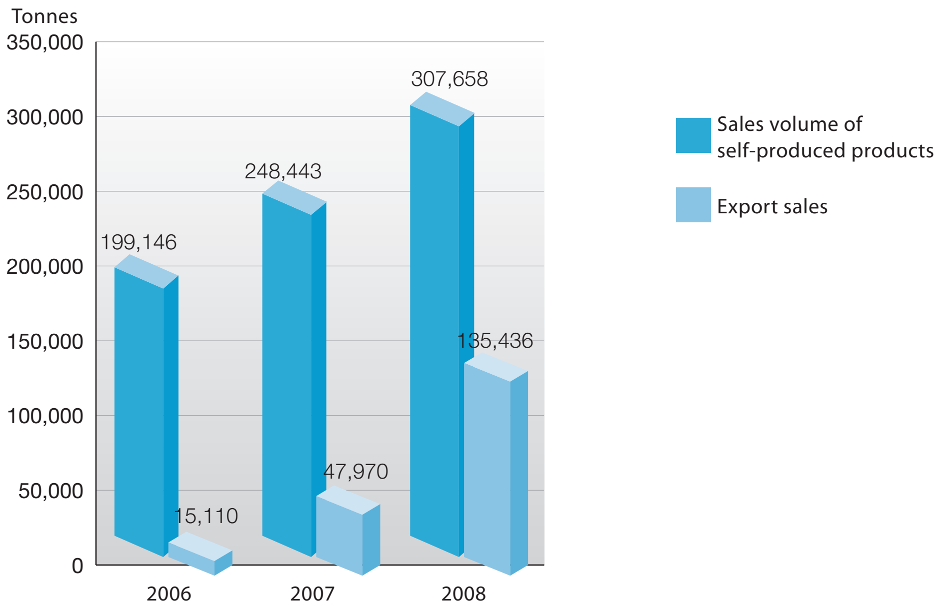
Turnover for the year ended 31 December 2008 amounted to approximately RMB2,636,580,000 (2007: RMB1,575,481,000), representing an increase of approximately 67.4% as compared with 2007.

Net profit attributable to equity holders for the year ended 31 December 2008 amounted to RMB302,220,000 (2007: RMB183,742,000), representing an increase of approximately 64.5% as compared with 2007.

FINANCIAL SUMMARY

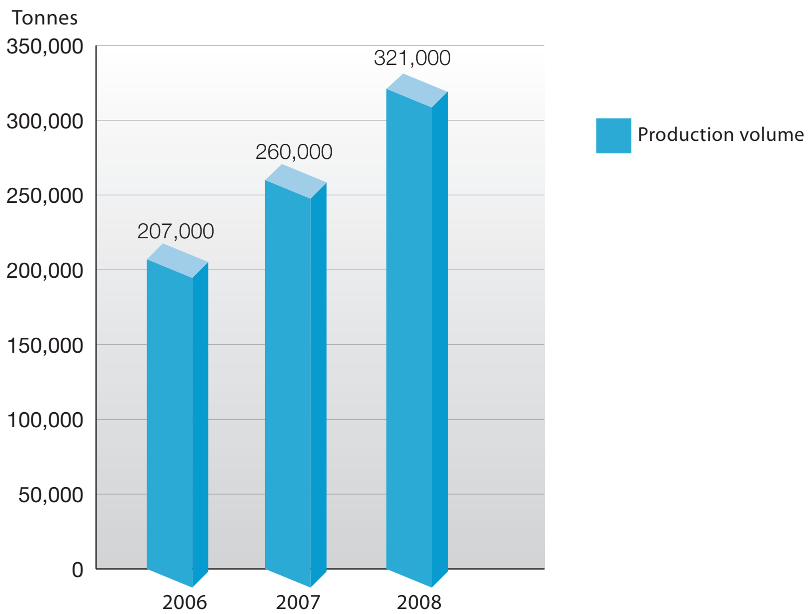
KEY OPERATIONAL DATA

Comparison of sales volume of self-produced products and export sales of the last 3 years is shown as follows:



The compound growth rate of the sales volume of self-produced products of the last 3 years was 24.29%. The compound growth rate of the export sales of the last 3 years was 199.39%.

Comparison of the production volume of the last 3 years is set forth as below:



The compound growth rate of the production volume in the last 3 years was 24.53%.

CHAIRMAN'S STATEMENT

To all Shareholders,

On behalf of the board of Directors (the "**Board**") of Anhui Tianda Oil Pipe Company Limited (the "**Company**"), I am pleased to announce the audited results for the year ended 31 December 2008. During the year, the Company achieved encouraging results, realizing a significant growth in business revenue and profit for three consecutive financial years since our listing on the Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). In addition, the construction of the 300,000 tonnes high-grade oil well pipe production line (the "**Phase II of the 861 Action Plan**") and the 300,000 tonnes heat treatment and 300,000 tonnes threading advanced processing lines have been progressing smoothly, laying a solid foundation for enhancing the company status in the industry and its competitiveness in the market and for achieving sustainable and steady results in the future.

The Company's turnover in 2008 amounted to RMB2,636,580,000, representing a growth of 67.4% over the previous year. The net profit attributable to equity holders was RMB302,220,000, which rose 64.5% as compared with the previous year. The significant increases in turnover and the net profit attributable to equity holders were primarily resulted from the implementation of various strategic measures by the Company namely consistent optimization of product mix and market structure, strengthening of cost and risk control and continuous technical upgrade to further boost the production capacity.

CONSISTENT OPTIMIZATION OF PRODUCT MIX AND MARKET STRUCTURE

The Company strived for developing new products, enhancing the profile of products and the capability of advanced processing of products to meet customers' demand on properties of products, all of which provide significant assurance to strengthening the Company's competitive edge and profitability. The 100,000 tonnes heat treatment and 100,000 tonnes threading advanced processing lines, which commenced operation in 2007, have been put into normal production and delivered an annual production yield of 107,200 tonnes of heat-treated advanced-processed products and 81,800 tonnes of thread advanced-processed products (65,200 tonnes and 9,000 tonnes respectively in 2007).

The Company has been exploring international market during the year. Capitalizing on the favourable development trends in the emerging markets, the Company has achieved a breakthrough in developing potential markets, such as Southeast Asia, Africa and America, etc. The overseas operations of the Company recorded rapid growth in 2008, with export sales amounted to approximately RMB1,107,350,000, representing 42% of the total sales (recorded export sales of RMB283,188,000 in 2007, representing 18.0% of the total sales).

During the year, the Company continued to strengthen the standard and capability of its one-stop services to achieve solid customer base and optimize market structure. Meanwhile, it makes timely decision on self-manufacturing of certain high value-added products among the product varieties that involve one-stop services instead of sourcing from outside.

CHAIRMAN'S STATEMENT

CONSTANT STRENGTHENING OF CAPABILITY OF COST AND RISK CONTROL

Achieving a sustainable growth in business by way of implementing effective cost and risk control measures is one of the important objectives of the overall strategies in 2008 of the Company. During the year, facing an operation environment with fluctuations, the Company emphasized on consolidating the integrated application of the Enterprise Resources Planning (ERP) management system, with a view to enhance its management of the entire process on procurement, warehousing, finance and sales, in particular, the management of inventories and receivables were strengthened. The Company imposed extremely stringent risk control on the inventory level of raw materials and finished goods, thereby ensuring the inventory levels and structure are always reasonably maintained. As of 31 December 2008, the risk of cost of raw materials in the inventory of the Company was effectively controlled. The Company has been paying much attention to the management of receivables, and receivables of significant balance are reviewed and tracked regularly by the senior management. As at the date of this report, overseas receivables accounted for 65.1% of the receivables balance at the end of period were all collected. In view of the aforementioned, the Company believes that there is no significant concentration of credit and default risk over the receivables.

CONTINUOUS BOOST IN PRODUCTIVITY AND SALES VOLUME

Productivity of the Company was further promoted by technical upgrade and efficiency enhancement in production. During the year, the Company realized a sales volume of 355,243 tonnes for specialized pipes (achieved sales of 298,323 tonnes of specialized pipes in 2007), representing a year-on-year growth of 19.1%.

FUTURE PROSPECTS

2008 was an extraordinary year for the oil and energy equipment industry. The global financial crisis, triggered by the subprime crisis in the US, has evolved into a worldwide economic crisis, and led to the severe volatility in international oil prices. Fluctuations in raw materials markets and financial markets, to a greater extent, affected the operating results of the participants in the industry. In 2009, the industry is still facing the challenge of a global economic downturn. However, the Company is ready for all those challenges.

It is likely that, in the foreseeable future, the world would still be heavily relying on oil and energy as the strategic resources. Since the second half of 2008, economic bailout plans were successively unveiled by the government of the key economies of the world. Especially, it is believed that the huge economic stimulus plan launched by the government of People's Republic of China (the "**PRC**"), which would successively cause positive effect, would facilitate to bring an earlier global economic recovery.

Meanwhile, as the current price of the production materials and financial assets is relatively low, it is a great opportunity for the enterprises in the oil and energy equipment industry to step up their investment and restructure their capitals. The Company will grasp the opportunities to make further investment in research and development, strengthen the management and technology advancement, increase the utilization efficiency of equipment, uphold the construction progress of Phase II of the 861 Action Plan, the 300,000 tonnes heat treatment and 300,000 tonnes threading advanced processing projects with a view to capture larger share in the high grade oil well pipes market, as well as to maintain rapid and steady growth in results and sustainable profitability.

2009 will be a crucial year in the Company's development as it forges ahead and prepares for future. The Board and I are confident in the future development of the Company. The Company will unremittingly continue to grow its professional management and technology teams as planned. By leveraging on the Company's in-depth understanding of the global economic development and the specialized pipes industry and innovation of advance technology and management mindset, we will overcome new challenges, capture opportunities and maintain relatively steady growth in results.

ACKNOWLEDGEMENT

Finally, on behalf of the Board, I would like to take this opportunity to thank all the shareholders, our customers and employees for their support for the continuous success of the Company. We will commit our best efforts to bring about a promising future for the Company and maximize the return for our shareholders.

Ye Shi Qu
Chairman

Anhui, the PRC, 18 February, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2008, the Company recorded total revenue of approximately RMB2,636,580,000. Compared to the amount of approximately RMB1,575,481,000 in 2007, there was an increase of approximately RMB1,061,099,000 or a growth of approximately 67.4%. For the year, the Company recorded gross profit of approximately RMB516,694,000. Compared to the amount of approximately RMB298,843,000 in 2007, there was an increase of approximately RMB217,851,000 or a growth of approximately 72.9%. This increase in revenue was primarily attributable to factors including the Company's steady increase in production and sales as a result of the improved technology and strengthened management of the production lines, and an increase in the average selling price of the products as compared with the previous year as a result of a substantial rise in the costs of both raw and ancillary materials and the optimization of product mix.

Selling and distribution expenses increased to approximately RMB89,177,000 for the year (2007: approximately RMB52,482,000). The increase of approximately RMB36,695,000 as compared with last year was mainly due to the growth of the sales volume and export sales and the increase in transportation cost, which led to a rise in the transportation expenses and port handling costs incurred from overseas sales.

Administrative expenses increased to approximately RMB41,070,000 for the year (2007: approximately RMB36,786,000). Compared with the prior year, there was an increase of approximately RMB4,284,000.

Finance revenue for the year was approximately RMB8,537,000 (2007: approximately RMB11,175,000). Compared with last year, there was a decrease of approximately RMB2,638,000. This was primarily due to the running out of the proceeds from the listing of H shares in GEM. The Company's financial interest expenses that was recorded in income statement for the year was approximately RMB10,751,000 (2007: approximately RMB5,036,000). Compared with last year, there was an increase of approximately RMB5,715,000, which were incurred from the increased short-term borrowings from banks by the Company during the year which were repaid before 31 December 2008.

The Company's income tax was approximately RMB75,156,000 (2007: approximately RMB32,318,000) for the year ended 31 December 2008, representing an increase of approximately RMB42,838,000 as compared with last year, primarily as a result of the income tax credits of approximately RMB38,668,000 which were resulted from the purchases of domestically produced equipment for the newly-built heat treatment and threading production lines of the Company in 2007, compared with the income tax credits of approximately RMB18,133,000 this year. Additionally, the new tax rate of 25% was imposed in 2008 (2007: 33%).

The Company's net profit attributable to equity holders amounted to approximately RMB302,220,000 (2007: approximately RMB183,742,000) for the year, representing an increase of approximately RMB118,478,000 or approximately 64.5% as compared with the net profit attributable to equity holders for the previous year. Such increase was mainly attributable to the improvement of economies of scale and added-value of the products, and the benefit from the lower rate of statutory income tax. The relative slight growth of net profit attributable to equity holders as compared with the growth of sales was resulting from the income tax credits of approximately RMB38,668,000 (decreased to approximately RMB18,133,000 in 2008) entitled by the Company for the purchases of domestically produced equipment in 2007. Net profit attributable to equity holders increased by approximately RMB139,013,000 or a growth of 95.8% in the event of excluding this factor of income tax credits.

OPERATIONS REVIEW

Continual optimization of product mix and further increase in output

To enhance the profitability, the Company continued to focus on the strategy of optimizing the Company's product mix during the year. The proportion of products with high added value and with advanced technological features was continuously increased. The existing 100,000 tonnes heat treatment and 100,000 tonnes threading advanced production lines of the Company were under normal operation, and the advanced processing volume of its products was significantly increased as compared with the previous year. For the year under review, the Company produced approximately 107,200 tonnes of heat treated products (2007: approximately 65,200 tonnes) and approximately 81,800 tonnes of threaded advanced products (2007: approximately 9,000 tonnes).

The Company leveraged on the existing technological innovation and workflow improvement of its production lines to further enhance the efficiency of the current production equipment. Actual production output of the Company for the year ended 31 December 2008 was approximately 321,000 tonnes (2007: approximately 260,000 tonnes) with an increase of approximately 23.5% as compared with the previous year.

Strengthening the financial management, in particular the control of inventories and receivables, for effective aversion of operation risks

During the year, the Company emphasized on consolidating the integrated application of the Enterprise Resources Planning (ERP) management system with a view to enhancing its management of the entire process on procurement, warehouse, finance and sales. With the operation experience in the industry gained throughout these years, the Company proactively implemented stricter controlling measures on inventories and receivables, and effectively eliminated the risk arising from the fluctuation of prices in raw materials and products during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2008, the inventory of the Company amounted to RMB287,124,000 (31 December 2007: approximately RMB371,891,000). The percentages of raw materials and finished goods (including the so-called "bare pipes" before threading processing) in the year-end balance of inventory were 32.1% and 60.4% respectively. The Company strictly maintained the inventory level of each type of raw material at reasonable production cycle. The risk involved in the cost of raw materials was considerably reduced. The inventories of finished goods were primarily the products pending custom declaration for export. As the orders for high value-added products increased, the volume of bare pipes for advanced processing also increased accordingly as a result of limited processing capacity of heat treatment and threading. Nevertheless, an impairment provision of approximately RMB5,365,000 in total was made as at 31 December 2008 for certain inventories according to the prudency principle.

As at 31 December 2008, the balance of the Company's receivables amounted to approximately RMB81,524,000, representing an increase of approximately RMB21,226,000 as compared with that as at 31 December 2007. The reason for the increase was mainly due to the increase of accounts receivable arising from the Company's new domestic oil field customers during the year. Included in the accounts receivable of RMB81,524,000 as at 31 December 2008, there were accounts receivable due from overseas customers of approximately RMB53,083,000, accounting for 65.1% of accounts receivable balance. As at the date of this report, all the above accounts receivable due from overseas customers were subsequently collected.

Notable growth from effective international market exploration

Following the expansion in operation scale of the Company and its enhanced status in the industry, exploring overseas emerging markets and striving for larger market share have become a strategic mission of the Company. For the year 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.

For the year under review, the Company achieved export sales of approximately 135,436 tonnes (2007: approximately 47,970 tonnes), representing an increase of approximately 182.3% as compared with the previous year. During the year, the Company successfully established and maintained the working relationship with a number of internationally well-known agencies and entered into framework agreements for strategic cooperation.

Putting more efforts in marketing and continuous expansion and optimization of customer base

The Company participated in the International Tube and Pipe Trade Fair 2008 held in Dusseldorf, Germany in March 2008, the 4th Shanghai International Tube Expo held in Shanghai in April 2008 and the 3rd All China — International Tube & Pipe Industry Trade Fair held in Shanghai in September 2008. The Company made extensive contact with its clients in order to further promote the Company's brand name.

With the enhancement of the production capacity, while consolidating the oil field market, the Company strengthened its efforts in the development of the high-end specialized pipe products for the equipment manufacturing industry such as electricity boiler and shipbuilding. In addition, the Company further strengthened its working relationship with sizable vessel and boiler manufacturing enterprises.

Market orientation with customer centered research and development

The Company is always committed to investments in research and development. We will strive to increase production efficiency through research and development of innovative high-end products, improving workflow and minimizing production wastage.

During the year, the Company increased its investment in the upgrade and modification of facilities for research and development and for inspection. The Company also strengthened its research and development in the state-of-the-art equipment and technology, and the imported ultrasonic inspection equipment was put to test run. The Company and Southwest Petroleum University jointly researched and developed the H2S+CO2 corrosion-resistant oil well pipe products (such as 9CrL80, 13CrL80, C90, T95). The research and development of non- American Petroleum Institute ("**API**") -standard specialized thread coupling products were also at the final stage pending production.

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

During the year under review, the Company was actively rolling out the construction work of phase II of the 861 Action Plan. The construction progress was smooth as scheduled. Within the year, the Company paid the deposit according to the terms of the purchase contract for the core equipment of the production line. In order to ensure that 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. Meanwhile, the Company also entered into purchase contracts for the ancillary equipment of the project with domestic and international equipment companies located in countries such as the PRC, the United States of America, Britain and Japan.

During the year, the Company engaged professional construction companies such as Shanghai Baoye Construction Corp., Ltd to commence the construction of the plants and facilities for the phase II of the 861 Action Plan. Currently, the steel framework of the plant has been completed and the installation of building services and mechanical and electrical equipment is in progress. It is expected that the production lines of the project will commence operation by the end of 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

300,000 tonnes heat treatment and 300,000 tonnes threading advanced processing projects

As the auxiliary project of phase II of 861 Action Plan for further advanced processing of high grade oil well pipe in order to upgrade the profile and added-value of product, the Company activated a 300,000 tonnes heat treatment and a 300,000 tonnes threading advanced processing projects during the second half of 2008. The feasibility study of the project and the selection and procurement of the technology and core equipment have been completed.

It was originally planned that the project would be financed either by the proceeds from the proposed A shares issue or from bank loans. Prior to the completion of the proposed A share issue, the Company has utilized its own working capital and bank's loans to commence the project. As at the date of this report, the Company was extended loan facilities of about RMB1,000,000,000 in total from five banks, among which the long-term project loan facilities amounted to approximately RMB605,810,000.

The Company will disclose the progress of the project in due course as required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

PROGRESS OF THE APPLICATION FOR A SHARE ISSUE

After obtaining the approval from shareholders of the Company at the annual general meeting and various class meetings held on 28 April 2008, the Company would lodge its application with the China Securities Regulatory Commission (the "**CSRC**") when it was appropriate for the initial issue and listing of A shares of the Company. However, as the A shares market situation has changed, CSRC neither convened any meeting to review the applications for the listing of new shares submitted by listing applicants nor received any application documents from 16 September 2008 up to the date of this report according to the information provided in CSRC's website. Therefore, as of the date of this report, the Company has not submitted an official application for A share issue to CSRC.

MAJOR EVENTS

During the year, 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 ordinary shares for every 10 ordinary shares they held as a bonus issue. After the conversion, the total issued share capital of the Company is comprised of 761,355,000 shares.

During the year, the board lot size of H shares of the Company was changed from 2,000 shares per board lot to 1,000 shares per board lot.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Company's cash and cash equivalents amounted to approximately RMB247,114,000 (31 December 2007: approximately RMB292,707,000). As at 31 December 2008, the Company's interest-bearing loans and borrowings amounted to approximately RMB68,693,000 (31 December 2007: approximately RMB84,587,000). Bank loans of the Company bore interest at rates ranging from 5.04% to 8.36% per annum in 2008. Except for the credit loans in the amount of RMB30,000,000 and the factoring loans of receivables in the amount of RMB20,000,000, other loans were guaranteed by Tianda Holding, the largest shareholder of the Company. All bank loans of the Company are denominated in Renminbi or other foreign currencies.

The Company's gearing ratio as at 31 December 2008 was approximately 3.9% (31 December 2007: approximately 6.2%), which was a percentage based on the interest-bearing loans and borrowings divided by total assets.

Leveraging on its creditworthiness and the business scale of the Company, the Company obtained total credit facilities of approximately RMB1,000,000,000 during the year under review, among which the long term project loan facilities amounted to approximately RMB605,810,000.

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 2008, all the forward foreign currency contracts held by the Company were due.

CHARGES ON ASSETS

As at 31 December 2008, the time deposits of RMB163,369,000 were pledged to the banks to secure the banks' accepted drafts and the letter of credit (31 December 2007: RMB29,317,000).

As at 31 December 2008, the Company's bank loan of RMB20,000,000 was secured by the pledge of certain of the Company's trade receivables totalling RMB13,500,000 (31 December 2007: Nil).

Except for the above two pledges, none of the Company's property, plant and equipment and bank deposits was pledged to secure the banking facilities (31 December 2007: Nil).

SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 2008, the Company did not have any significant investment.

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR ACQUISITION AND DISPOSAL

The Company did not make any major acquisition or disposal during the year ended 31 December 2008.

CONTINGENT LIABILITIES

As at 31 December 2008, 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 and Euro. The Company's books are prepared in RMB whereas the receivables from overseas customers may be subject to foreign currency fluctuations.

During the year under review, the 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 dollar, Euro and United States dollar and bank deposits are placed with banks in the PRC and, to a smaller extent, with Chinese banks in Hong Kong to fund the 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 year ended 31 December 2008, the sales volume of the Company's self-produced specialized pipes was approximately 307,658 tonnes (2007: approximately 248,443 tonnes), representing an increase of approximately 23.8% as compared with the previous year.

2. Sourcing and distribution of specialized pipes

Apart from self-produced specialized seamless pipes to fulfil the demand of 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 pace, reduce their costs of sourcing and provide them with all-round services.

For the year ended 31 December 2008, the sales volume of the Company's sourcing and distribution of specialized pipes was approximately 47,585 tonnes (2007: approximately 49,880 tonnes).

The prospects of the Company's sourcing and distribution of specialized seamless pipes business will remain vigorous in line with the trends and tides of the future economic development. Concurrently, certain high value-added products will be no longer procured externally but self-produced.

HUMAN RESOURCES

The Board believes that the quality of its employees is one of the most important factors for its development and growth and the enhancement of its profitability. As at 31 December 2008, the Company had 1,383 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 strictly observes the Labour Contract Law effective from 1 January 2008, which further stipulates the rights and obligations between enterprises and employees. The promulgation of the new law will benefit the sound and steady growth of the Company.

PROSPECT

The Company keeps on monitoring the development trends of the global economy and energy industry. Capitalizing on its rich expertise in the specialized pipe industry, accumulated from its dedication to the industry during the past 15 years, the Company firmly seizes the market trend and development pace in the energy and equipment manufacturing industry. Under the joint effort from our outstanding management team and our staff as a whole, the Company has the confidence to meet the challenges and capture the opportunities which may arise in the global financial crisis, and to promote the Company into a world renowned and also a domestically leading specialized pipe supplier for the energy industry and the equipment manufacturing industry with its products and services, and to create value continuously and steadily for shareholders, customers, employees and the society and various counterparts.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Company will continue to strengthen its specialized pipes production skills and will boost its ability in commanding the advanced production equipments through technology upgrade and skill optimization in order to enhance the efficiency of production equipments and improve the quantity and quality of its products at a saving of production costs. The sales and output volume of the Company in 2009 will exceed that in 2008 through technology advancement, and the percentage of sales and output volume of oil well pipes after advanced processing in the total sales and output volume of oil well pipes products will be increased.

The Company will pursue its market oriented strategy and fully utilize its in-house or available external 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, Special Steel Branch Co. of Baoshan Iron and Steel Company Limited and Southwest Petroleum University and explore to co-operate with overseas operators in the industry where opportunities arise. 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 specialized thread coupling products. The Company will strive to raise the proportion of high added value and high technology contents of its products.

In 2009, the Company will continue to enhance the integrated application of the Enterprise Resources Planning (ERP) management system, and strengthen its cost management and risk control, optimize the resources and management flow of the Company, improve its ability to respond to contingencies and enhance the overall economic efficiency.

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

While keeping its working relationship with China National Petroleum Corporation, China Petroleum & Chemical Corporation, China National Offshore Oil Corp. and Yanchang Oilfield Co. Ltd. the Company will enhance its efforts on the development and marketing of potential markets including the Middle East, Africa and America. The Company will also establish subsidiaries in emerging markets so as to increase its sales in overseas markets, enhance the grade and added-value of its products, optimize its customer base and avert the risks arising from trade disputes.

C. Keeping up the edge of one-stop services

Relying on the strategic advantage of direct sales and one-stop service, the Company can closely monitor all the market changes 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. A broader customer base could be built through the provision of one-stop service which, in turn, will lay a solid foundation for increasing the production capacity and optimizing the product mix in the future. On the other hand, our sourcing and distribution strength can thus be further consolidated.

D. Attain satisfactory progress of construction works

With the continual exploitation of crude oil and natural gas, new oil and gas wells will be shifted to the western PRC, deserts and regions with extreme climate and ocean. Some oil wells with high capital investment (deep wells, offshore wells and oil wells located in harsh external and complicated geological conditions and with complicated oil and gas contents) will gradually be exploited. 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. The demand in the high-grade oil well pipes and products with specialized threading will increase continuously in the future.

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 and the advanced processing project of 300,000 tonnes heat treatment and 300,000 tonnes advanced threading, and endeavor to attain satisfactory progress of construction works and the quality of the construction and equipment together with proper staff training. According to the project's progress plan, it is scheduled that phase II of 861 Action Plan will commence production by the end of 2009, and the project of 300,000 tonnes threading and 300,000 tonnes heat treatment will commence production in 2010. By then, the Company will achieve the production capacity of 650,000 tonnes of hot-rolled specified pipes and the advanced processing capacity of 400,000 tonnes heat treatment and 400,000 tonnes threading.

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

The Company will pursue its policy to solicit more investments from domestic and international capital. It will also actively explore any possible chance for a closer cooperation with upstream and downstream industries, and capture any opportunities from the integration of the industry based on the principle of maximizing shareholders' benefits. The Company will also take a proactive role in identifying strategic partners in the PRC or from overseas for the purpose of merger and takeover as and when appropriate.

CORPORATE GOVERNANCE REPORT

Throughout the year ended 31 December 2008, the Company has complied with the provisions in the Code on Corporate Governance Practices (the "**Practices**") 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 Practices and reviewed the practices of the Company to ensure full compliance.

BUSINESS OBJECTIVES

During the period from the listing of the Company to 31 December 2008, the Company conducted its business in accordance with the business plan and business objectives as stated in the Prospectus, and has achieved the business objectives as set out in the Prospectus as scheduled.

INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Company. The Board has developed its systems of internal controls 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. The executive directors and senior management of the Company have been granted corresponding authorizations to manage and monitor all operating systems of the entity and handle related affairs. The Audit Committee supervises the internal control system of the Company and reviews the internal audit report presented by the senior management, as well as reports any major issues and makes recommendations to the Board.

During the year under review, the Company has adopted a number of policies of internal controls to manage and minimize financial and other risks, to ensure accurate preparation and reporting of financial information, as well as to supervise compliance with laws by the senior management in performance of their duties.

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 has made specific enquiries of all directors and each director had confirmed that during the year ended 31 December 2008, 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 to the advice and services of the Company Secretary, and to seek professional advice if required.

For the year ended 31 December 2008, there were in total 9 Board meetings held and the attendance record of each director 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*	7	7	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. Li Chi Chung*	9	9	100%

* *Messrs. Zhang Jian Huai and Li Chi Chung resigned as directors of the Company with effect from 1 September 2008 and 14 February 2009, respectively.*

INDEPENDENT NON-EXECUTIVE DIRECTORS

In full compliance with Rules 3.10(1) and (2) of the Listing Rules, during the year ended 31 December 2008, 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 under the Listing Rules.

None of Mr. Zhao Bin, Mr. Wu Chang Qi and Mr. Li Chi Chung has any financial, business, family or other material relationship between each other and the members of the Board.

Each of the independent non-executive directors has been appointed for a term of 3 years. However, Mr. Li Chi Chung resigned as independent non-executive director on 14 February 2009 for personal reasons. After the resignation of Mr. Li Chi Chung, the Company has only two independent non-executive directors, which falls below the minimum number of directors required under Rule 3.10(1) of the Hong Kong Stock Exchange Listing Rules. As far as the Board is concerned, Mr. Au Kwok Yee, Benjamin offers himself and is eligible for election as independent non-executive director of the Company at the forthcoming annual general meeting of the Company to fill such vacancy.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

For the year ended 31 December 2008, 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, financial, business or other relationships between the members of the Board.

THE AUDIT COMMITTEE

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

The committee held two meetings during the year.

	Number of meetings		**Attendance**
Members of the Audit Committee	**Held**	**Attended**	**percentage**
Mr. Zhao Bin *(Chairman)*	2	2	100%
Mr. Wu Chang Qi	2	2	100%
Mr. Zhang Jian Huai*	2	2	100%
Mr. Liu Peng*	0	0	0

* *With effect from 1 September 2008, Mr. Zhang Jian Huai resigned as a member of the Audit Committee to serve as the qualified accountant of the Company, and Mr. Liu Peng was appointed as a member of the Audit Committee to fill his vacancy.*

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; and

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

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

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee of the Company comprises three directors, namely Mr. Wu Chang Qi (Chairman), Mr. Xie Yong Yang and Mr. Zhao Bin.

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. Xie Yong Yang	1	1	100%
Mr. Zhao Bin	1	1	100%

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)

Mr. Zhang Jian Huai*

* *Mr. Ho Kin-Cheong, Kelvin tendered his resignation as the qualified accountant with effect from 1 September 2008 for personal reasons, and Mr. Zhang Jian Huai filled the vacancy as the qualified accountant. Please refer to the announcement of the Company dated 29 August 2008 for more details.*

CORPORATE GOVERNANCE REPORT

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)
	Mr. Wan Man Wah* (fellow member of The Association of Chartered Certified Accountant and associate member of the Hong Kong Institute of Certified Public Accountants)

* *Mr. Ho Kin-Cheong, Kelvin tendered his resignation as the qualified accountant with effect from 1 September 2008 for personal reasons, and Mr. Wan Man Wah filled the vacancy as the company secretary.*

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 RMB3,000,000 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 through interim reports, annual reports, general meetings and public disclosure on the Company's website, so that they may make an informed assessment of their investments and exercise 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 on a regular basis, the Company has set up an investor relations office to respond to the questions and enquiries from shareholders and the general public. For any enquries, investors may write directly to the Company at its place of business in the PRC (No.4, Zhenxing Road, Tongcheng Town, Tianchang City, Anhui Province, The PRC) or e-mail to chendong@td-gg.com.

The Board is pleased to present their report and the audited financial statements of the Company for the year ended 31 December 2008.

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 2008 are set out in the income statement and the accompanying Notes to the financial statements on page 40 to page 94 of this report.

The Board has recommended the payment of a final dividend of RMB0.09 per share (inclusive of tax) in respect of the year ended 31 December 2008. Dividends payable to holders of ordinary shares of the Company subscribed for in RMB ("**Domestic Shares**") will be paid in RMB, while dividends payable to holders of overseas listed foreign shares of the Company ("**H shares**") will be paid in Hong Kong dollars. Subject to the approval at the annual general meeting to be held on 15 April 2009, the final dividend is expected to be payable on or about 30 June 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company shall be closed from 14 March 2009 to 15 April 2009 (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 to be held by the Company on 15 April 2009 and to receive the final dividends, all transfer documents accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the company's transfer office and share registrar in Hong Kong, whose address is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 pm on 13 March 2009.

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company during the year of 2008 are set out in note 15 of the Notes to the financial statements.

SHARE CAPITAL

Details of the issued share capital of the Company are set out in note 25 of the Notes to the financial statements.

DISTRIBUTABLE RESERVE

Pursuant to Article 150 of the Company's Articles of Association, the Company's reserves available for distribution to shareholders is the lower of its accumulated profits after tax 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 2008, the Company's distributable reserve after such comparison and before deducting the proposed dividend for 2008 represents its accumulated profits prepared in accordance with the Accounting Standard for Business Enterprises, Accounting Policies for Business Enterprises and other relevant provisions issued by the Ministry of Finance of the PRC (the "PRC GAAP") of approximately RMB512,719,000 (31 December 2007: accumulated profits prepared in accordance with PRC GAAP of approximately RMB281,327,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2008, sales to the five largest customers of the Company accounted for 20.0% of the Company's total turnover. For the year ended 31 December 2008, purchases from the Company's largest supplier, Tianjin Iron & Steel Co., Ltd., and five largest suppliers accounted for approximately 37.9% and 72.7% 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 of the Company 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 Manager)*
Mr. Xie Yong Yang

Non-executive Directors:

Mr. Zhang Jian Huai*
Mr. Liu Peng

Independent non-executive Directors:

Mr. Wu Chang Qi
Mr. Zhao Bin
Mr. Li Chi Chung*

Supervisors:

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

* *Mr. Zhang Jian Huai resigned as non-executive Director of the Company with effect from 1 September 2008 and Mr. Li Chi Chung resigned as independent non-executive Director of the Company with effect from 14 February 2009.*

In accordance with the Company Law of the PRC and Article 97 of the Articles of Association of the Company, each of the directors has been appointed for a term of 3 years and is eligible for re-election upon expiry. A resolution of candidates for directors of the second session of the Board ("**Resolution of Re-election**") was proposed by the Remuneration and Nomination Committee at the board meeting held on 18 February 2009.

According to the Resolution of Re-election, the terms of office of the current directors are to be expired, and Messrs. Ye Shi Qu and Zhang Hu Ming are all eligible and offer themselves for re-election as executive directors of the Company. Messrs. Xie Yong Yang and Liu Peng are also eligible and offer themselves for re-election as non-executive directors of the Company, and Messrs. Wu Chang Qi and Zhao Bin are eligible and offer themselves for re-election as independent non-executive directors of the Company. In addition, the Remuneration and Nomination Committee nominated Mr. Au Kwok Yee, Benjamin, who is eligible and offers himself for election, as independent non-executive director of the Company for the first time. The Remuneration and Nomination Committee also nominated Mr. Zhang Jian Huai, the current qualified accountant of the Company, who is eligible and offers himself for election, as executive director of the Company. The Board recommends the Resolution of Re-election to be proposed at the forthcoming annual general meeting for consideration, and to authorize the Board to approve its remuneration.

REPORT OF THE DIRECTORS

In accordance with Article 120 of the Articles of Association of the Company, each of the Supervisors is appointed for a term of 3 years and is eligible for re-election upon expiry. The terms of office of the current Supervisors are to be expired, and Messrs. Liu Jun Chang and Yong Jin Gui are all eligible and offer themselves for re-election as Supervisors on behalf of the shareholders of the Company. The supervisory committee recommends the Resolution of Re-election to be proposed at the forthcoming annual general meeting for consideration, and to authorize the Board to approve the remuneration of all Supervisors. Mr. Yang Quan Fu has been re-elected as Supervisor at the meeting of the staff representatives of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Ye Shi Qu, aged 59. 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 was 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, and resigned on 27 March 2008. Ye Shi Qu is also the Deputy Chairman of the China Individual 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 (when it was then operated by one of the Company's predecessors). Ye Shi Qu is the uncle of Liu Peng, a non-executive Director.

Mr. Zhang Hu Ming, aged 40. 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 due to 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 has extensive experience in the specialized seamless pipe industry and its management with over 15 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 the Anhui Province People's Congress. 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 Nanjing University 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 (when it was then operated by one of the Company's predecessors).

Mr. Xie Yong Yang, aged 49. 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 due to the pre-IPO restructuring process. 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 a number of technology upgrade projects. Prior to Xie Yong Yang's resignation from Tianda Holding, he also participated in research, decision making and planning for major projects of Tianda Holding. Xie Yong Yang graduated from Hefei Industrial University with 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 Ms. Huang Yao Qi, the financial controller of the Company.

Non-executive Directors

Mr. Liu Peng, aged 32. He is a non-executive Director of the Company. He graduated from the Department of Finance in Nankai University in 1997. He was awarded a degree of 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 in 2003. Liu Peng has over 10 years of experience in corporate capital operation and corporate management. From August 2007 to March 2008, Liu Peng was 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 a 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.

Independent non-executive Directors

Mr. Zhao Bin, aged 43. 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 partner of Beijing Branch Office of Daxin Certified Public Accountants. Between 1996 and 2008, Zhao Bin was engaged by the auditing and valuation department at Anhui Huapo Accounting Firm (Jinhai Branch Office), Beijing Zhongxing Xinshizi Accounting Firm and Shulun Pan Certified Public Accountants (Beijing Branch Office). Zhao Bin was also engaged in the teaching and academic research of accounting, auditing, financial management and securities investment at Anhui Polytechnic University. In 1991 and 2007, Zhao Bin was awarded a master's degree by Anhui Polytechnic University (formerly known as Huainan Mining College) and a doctoral degree by China Mining University in Beijing, respectively. He was appointed as an independent non-executive Director in July 2006.

REPORT OF THE DIRECTORS

Mr. Wu Chang Qi, aged 72. He is the chairman of the Enterprises Association and Entrepreneur Association 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 of the Sixth, Eighth and Ninth Provincial People's Congress and a member of 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.

Supervisors

Mr. Liu Jun Chang, aged 43. 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.

Mr. Yong Jin Gui, aged 34. 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 of Tianda Holdings.

Mr. Yang Quan Fu, aged 35. 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

Mr. Zhang Jian Huai, aged 39. He was a non-executive director of the Company from April 2006 to August 2008 and was redesignated as the qualified accountant of the Company with effect from 1 September 2008. Engaging in finance and accounting for a number of years, Zhang Jian Huai has over 14 years of experience in financial practices and operations. Zhang Jian Huai graduated from the Institute of Chinese Communist Party in economics management. From August 2007 to March 2008, Zhang Jian Huai was 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 has been involved in the Company's business since October 2005 when it was then operated by one of the Company's predecessors.

Mr. Wang Yi, aged 38. 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 (it was then operated by one of the Company's predecessors) since July 1997. 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.

Mr. Zhang Chun Xiang, aged 38. He graduated from Anhui Mechanical and Electrical Institute with a major in heat treatment in 1993. He joined the Company after graduation and had been involved in the Company's business (it was then operated by one of the Company's predecessors) since July 1993 engaging in quality control and technology management for over 10 years. He was the head of quality inspection division and technology division. During these years, Zhang Chun Xiang has been committed to the research and development of the Company. New products researched and developed by him were awarded numerous incentives by the government. 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.

Mr. Geng Wei Long, aged 44. 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 over 10 years. He has been involved in the Company's business since 1993 (when it was 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 is in charge of the research and development as well as production management at the Tianchang City headquarters.

REPORT OF THE DIRECTORS

Mr. Lv Si Yu, aged 33. He started his career in 1993. He graduated from Hefei Industrial University in June 2002 with a major in economics and management. 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 over 10 years. He has in-depth understanding of the steel pipe industry and is 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 (when it was then operated by one of the Company's predecessors) and in May 2006, he was appointed as the deputy general manager of the Company and is in charge of the sales and marketing division.

Ms. Huang Yao Qi, aged 45. 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 those areas. She joined the Company in August 2004. She has been involved in the Company's business since 2004 (when it was 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 Yang, an executive Director.

Mr. Chen Dong, aged 29. 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. Chen Dong joined Tianda Holding after graduation and has over 7 years of experience in corporate management. He joined the Company in April 2006 and was appointed as the Secretary to the Board on 13 April 2006.

COMPLIANCE OFFICER

Mr. Zhang Hu Ming, is the deputy chairman, an executive director and general manager of the Company. Mr. Zhang's biographical data 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 that 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 of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

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

As at 31 December 2008, 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 (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) Personal Interests	Family Interests	Corporate Interests	Other Interests	Total number of shares/ Total amount of capital contribution	Percentage holding of shares/Interest in the registered capital of the relevant associated corporation	Approximate percentage of the total issued share capital of the Company
The Company	Ye Shi Qu	Interest in controlled corporation (Note 1)	—	—	510,000, 000 domestic shares	—	510,000,000 domestic shares	—	67%
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	3.92%	—
Tianda Holding	Yong Jin Gui	Beneficial owner	RMB2,577,800	—	—	—	RMB2,577,800	1.10%	—
Tianda Holding	Liu Jun Chang	Beneficial owner	RMB1,750,000	—	—	—	RMB1,750,000	0.75%	—
Tianda Holding	Xie Yong Yang	Beneficial owner	RMB2,363,200	—	—	—	RMB2,363,200	1.01%	-

Notes:

1. Pursuant to the SFO, as Ye Shi Qu holds 85.14% 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 408,000,000 Domestic Shares held by Tianda Holding, 102,000,000 Domestic Shares held by Tianda Investment and 29,917,000 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 capitals 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 31 December 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 31 December 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.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraph headed "RELATED PARTY TRANSACTIONS" stated in note 29 of the Notes to the financial statements, no contract of significance in relation to the Company's business, to which the Company was a party and in which a director or a Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

(A) Substantial Shareholders

So far as the directors or chief executive of the Company are aware, as at 31 December 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 and	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	29,917,000 (L)	11.9%	3.9%
Tianda Investment	Beneficial owner	Domestic shares	102,000,000 (L)	20%	13.4%
Ye Shi Qu (Note 2)	Interests in controlled corporation	Domestic shares	510,000,000 (L)	100%	67.0%
	Interests in controlled corporation	H shares	29,917,000 (L)	11.9%	3.9%
Deutsche Bank Aktiengesellschaft	Person having a security interest in shares	H shares	39,393,000 (L)	15.67%	5.2%
	and beneficial owner	H shares	1,001 (L)	0.00%	0.00%

Name	Capacity	Class of shares	Number of shares	% of total number of the relevant class of shares	% of total number of issued shares
Desmarais Paul G.	Interests in controlled corporation	H shares	22,603,000 (L)	8.99%	3.0%
Gelco Enterprises Ltd.	Interests in controlled corporation	H shares	22,603,000 L)	8.99%	3.0%
IGM Financial Inc.	Interests in controlled corporation	H shares	22,603,000 (L)	8.99%	3.0%
Nordex Inc.	Interests in controlled corporation	H shares	22,603,000 (L)	8.99%	3.0%
Power Corporation of Canada	Interests in controlled corporation	H shares	22,603,000 (L)	8.99%	3.0%
Power Financial Corporation	Interests in controlled corporation	H shares	22,603,000 (L)	8.99%	3.0%
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%
Credit Agricole Asset Management (Note 4)	Interests in controlled corporation	H shares	13,899,000 (L)	5.5%	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 is a wholly-owned subsidiary 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 29,917,000 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.

REPORT OF THE DIRECTORS

(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 2008, save of the person or entities disclosed in sub-section (A) above, no other persons or entities (other than a directors, 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 2008, the directors were not aware of any persons 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 2008 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 29 to the financial statements.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS

For the year ended 31 December 2008, the directors are not aware of any business or interest of the directors, the supervisors and management shareholders 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. All directors have confirmed that they have complied with the non-competition provisions under their respective service contracts with the Company since the listing of the Company.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On the Company's annual general meeting, H shares class meeting and domestic shares class meeting held on 28 April 2008, the amendments to the Articles of Association of the Company were considered and approved. For details on the amendments to the Articles of Association of the Company, please refer to the general meeting circular distributed to shareholders on 12 March 2008.

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.

POST BALANCE SHEET EVENTS

Details of the post balance sheet events are set out in note 31 of the Notes 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 2008.

AUDITORS

The financial statements for the year ended 31 December 2008 prepared under the IFRS have been audited by Ernst & Young. The audit committee of the Company has recommended and acquired the approval of the directors to propose at the forthcoming annual general meeting a resolution to reappoint Ernst & Young Hua Ming and Ernst & Young to act as the domestic and international auditors, respectively, of the Company for the year 2009.

By Order of the Board
Ye Shi Qu
Chairman

Anhui, the PRC, 18 February 2009

REPORT OF THE SUPERVISORS

In 2008, 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 "**Supervisory 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 Supervisory Committee monitored the operations and financial position as well as the performance of senior management of the Company for the year 2008. On behalf of the Supervisory Committee, I hereby present our report for 2008:

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 2008, 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 Supervisory 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, and all operating activities were in compliance with laws and regulations. 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 Supervisory Committee was not aware of any act detrimental to the interests of the Company and shareholders as a whole, nor was there any act in breach of laws, regulations, the articles of association or rules and policies of the PRC and Hong Kong.

2. EXAMINATION OF FINANCIAL POSITION OF THE COMPANY

The Supervisory Committee earnestly examined the financial statements and the annual report of the Company for 2008 issued by the auditors of the Company.

The Supervisory Committee considers that the audited financial statements truly and sufficiently reflect the operating results and asset positions of the Company. The Supervisory 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 Supervisory Committee 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 acted sincerely in the best interests of the Company. As at the date of this report, the Supervisory Committee was 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 Supervisory Committee is of the view that, in 2008, the use of proceeds by the Company was in line with the details set out in the Prospectus issued on 27 November 2006.

4. CONNECTED TRANSACTIONS

The Supervisory Committee is of the view that the connected transactions of the Company for 2008 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 the Supervisory Committee
Anhui, the PRC

18 February 2009

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 comprise the balance sheet as at 31 December 2008 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

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2008 and of the Company's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

18 February 2009

INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Revenue	5	**2,636,580**	1,575,481
Cost of sales		**(2,119,886)**	(1,276,638)
Gross profit		**516,694**	298,843
Other income and gains	6	**3,135**	9,932
Selling and distribution costs		**(89,177)**	(52,482)
Administrative expenses		**(41,070)**	(36,786)
Other expenses	6	**(7,467)**	(289)
Operating profit		**382,115**	219,218
Finance income	7	**8,537**	11,175
Finance costs	7	**(13,276)**	(14,333)
Profit before tax	8	**377,376**	216,060
Income tax expense	11	**(75,156)**	(32,318)
Profit for the year attributable to equity holders of the Company		**302,220**	183,742
Dividends	12		
Proposed final dividend		**68,522**	40,606
Earnings per share attributable to equity holders of the Company			
Basic, for profit for the year	13	**RMB0.40**	RMB0.24

The accompanying notes on pages 45 to 94 form an integral part of the financial statements.

BALANCE SHEET

As at 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	15	**742,493**	453,122
Prepaid land premiums	16	**29,276**	29,929
Deferred tax assets	11	**1,341**	—
Total non-current assets		**773,110**	483,051
Current assets			
Inventories	17	**287,124**	371,891
Trade and notes receivables	18	**108,900**	65,654
Prepayments, deposits and other receivables	19	**337,492**	152,333
Derivative financial instruments	20	**—**	1,100
Cash and cash equivalents	21	**247,114**	292,707
Total current assets		**980,630**	883,685
Current liabilities			
Interest-bearing loans and borrowings	22	**20,000**	70,000
Trade and notes payables	23	**176,803**	83,106
Income tax payable	11	**72,347**	39,727
Other payables and accruals	24	**178,548**	163,231
Derivative financial instruments	20	**—**	100
Total current liabilities		**447,698**	356,164
NET CURRENT ASSETS		**532,932**	527,521
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,306,042**	1,010,572
Non-current liabilities			
Interest-bearing loans and borrowings	22	**48,693**	14,587
Deferred tax liabilities	11	**—**	250
Total non-current liabilities		**48,693**	14,837
NET ASSETS		**1,257,349**	995,735
EQUITY			
Issued capital	25	**380,678**	253,785
Reserves	26	**808,149**	701,344
Proposed final dividend	12	**68,522**	40,606
TOTAL EQUITY		**1,257,349**	995,735

Ye Shi Qu
Director

Zhang Hu Ming
Director

The accompanying notes on pages 45 to 94 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company						
	Issued capital	Share premium account	Statutory surplus reserve	General surplus reserve	Retained earnings	Proposed final dividend	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 25)	(Note 25)	(Note 26)	(Note 26)	(Note 26)	(Note 12)	
At 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 and 1 January 2008	253,785	380,457	47,249	6,634	267,004	40,606	995,735
Profit for the year	—	—	—	—	302,220	—	302,220
Share premium transfer to issued capital	126,893	(126,893)	—	—	—	—	—
Reclassification	—	46,088	(13,171)	(6,634)	(26,283)	—	—
Appropriation of statutory surplus reserve	—	—	30,222	—	(30,222)	—	—
Final 2007 dividend declared	—	—	—	—	—	(40,606)	(40,606)
Proposed final 2008 dividend	—	—	—	—	(68,522)	68,522	—
At 31 December 2008	380,678	299,652	64,300	—	444,197	68,522	1,257,349

The accompanying notes on pages 45 to 94 form an integral part of the financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Operating activities			
Profit before tax		**377,376**	216,060
Adjustments to reconcile profit before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	8	**38,210**	30,450
Amortisation of prepaid land premiums	8	**653**	636
Impairment of trade receivables	8	**—**	224
Write-down/(reversal) of inventories to net realisable value	8	**4,165**	(850)
Loss on disposal of property, plant and equipment	6	**1,580**	—
Finance costs	7	**11,751**	5,308
Finance income	7	**(8,537)**	(11,175)
Fair value gains, net		**—**	(1,000)
Working capital adjustments:			
Decrease/(increase) in inventories		**80,602**	(169,213)
Decrease/(increase) in trade and notes receivables		**(43,146)**	26,713
Increase in prepayments, deposits and other receivables		**(187,806)**	(105,874)
Increase in trade and notes payables		**93,697**	16,196
Increase in other payables and accruals		**9,150**	38,217
Cash generated from operations		**377,695**	45,692
Income tax paid	11	**(44,127)**	(19,683)
Net cash inflow from operating activities		**333,568**	26,009

The accompanying notes on pages 45 to 94 form an integral part of the financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Net Cash inflow from operating activities		**333,568**	26,009
Investing activities			
Interest received		**11,084**	8,628
Purchases of property, plant and equipment		**(322,904)**	(137,421)
Investment on deposits with original maturity of over three months		**(100,000)**	(130,000)
Cash collected from matured deposits with original maturity of over three months		**230,000**	350,630
Net cash inflow/(outflow) from investing activities		**(181,820)**	91,837
Financing activities			
Proceeds from interest-bearing loans and borrowings		**412,821**	110,587
Repayment of interest-bearing loans and borrowings		**(428,715)**	(131,000)
Interest paid		**(10,841)**	(5,355)
Dividends paid	12	**(40,606)**	(25,379)
Proceeds from issuing shares		**—**	10,209
Net cash outflow from financing activities		**(67,341)**	(40,938)
Net increase in cash and cash equivalents		**84,407**	76,908
Cash and cash equivalents at beginning of year		**162,707**	85,799
Cash and cash equivalents at end of year		**247,114**	162,707
Analysis of balances of cash and cash equivalents			
Cash and bank balances	21	**247,114**	292,707
Less: Time deposits with original maturity of over three months when acquired	21	**—**	(130,000)
		247,114	162,707

The accompanying notes on pages 45 to 94 form an integral part of the financial statements.

1. CORPORATE INFORMATION

Anhui Tianda Oil Pipe Company Limited, formerly known as 安徽天大企業集團特種鋼管有限公司 (Tianda Special Steel Pipe Company, the "Company"), was 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 ("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 85.14% equity interest in Tianda Holding as at 31 December 2008, 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.

NOTES TO FINANCIAL STATEMENTS

2.1 BASIS OF PREPARATION *(Continued)*

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 Ordnance.

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 AND DISCLOSURES

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 for the current year's financial statements. Except for in certain cases, giving rise to the new and revised accounting policies and additional disclosures, the adoption of these new interpretations and amendments has had no effect on these financial statements.

IAS 39 and IFRS 7 Amendments	Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets
IFRIC 11	IFRS 2 — Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The principal effects of adopting those new and revised IFRSs are as follows:

Amendments to IAS 39 Financial Instruments — Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures — Reclassification of Financial Assets

The amendments to IAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held to maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to IFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Company has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Company.

IFRIC 11 *IFRS 2 — 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 buys the instruments from another party, or the shareholders provide the equity instruments needed. As the Company currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Company.

IFRIC 12 *Service Concession Arrangements*

IFRIC 12 applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. As the Company is not an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Company.

NOTES TO FINANCIAL STATEMENTS

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(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, including situations when a minimum funding requirement exists. As the Company has no defined benefit scheme, the interpretation has had no effect on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSS

The Company has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 First-time Adoption of IFRSs and IAS 27 Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 Amendments	Amendments to IFRS 2 Share-based Payment — Vesting Conditions and Cancellations
IFRS 1 (Revised)	First-time Adoption of IFRSs
IFRS 3 (Revised)	Business Combinations
IFRS 8	Operating Segments
IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 32 and IAS 1 Amendments	Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
IAS 39 Amendment	Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distribution of Non-cash Assets to Owners

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSS *(Continued)*

Improvements to IFRSs

The Company has not yet adopted the improvements to IFRSs which contain amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41. These amendments will have no material effect on the financial statements.

The Company is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that while the adoption of IFRS 8 and IAS 1 (Revised) may result in new or amended disclosures and the adoption of IAS 23 (Revised) may result in changes in accounting policies, these new and revised IFRSs are unlikely to have a significant impact on the Company's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, 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.

An impairment loss is recognised only if the carrying amount of an asset exceeds 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. An impairment loss is charged to the income statement in the period in which it arises.

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 recoverable amount is estimated. 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 recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

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 a member of the key management personnel of the Company or its parent;

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

(d) 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 (b) or (c).

Property, plant and equipment

Property, plant and equipment, other than construction in progress, 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.

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 to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Buildings	2.7%
Plant and machinery	9.5%
Motor vehicles	9.5%
Office equipment and other equipment	9.5% to 19%

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least 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 on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction, and capitalised borrowing costs on related borrowed fund during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred 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 project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Company as a lessee

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-for-maturity when the Company has the positive intention and ability to hold to maturity. Held-for-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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at amortised cost (Continued)

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 has been incurred 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, 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.

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. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In addition, the Company evaluates other factors, such as the share price volatility. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except 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.

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

Financial liabilities including trade and note payables, other payables and accruals 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 costs" in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Derecognition of 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 and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price less estimated costs to be incurred to completion and disposal.

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 that 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 a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be a required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income 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 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.

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

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred 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)*

Income taxes *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, carryforward 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 carryforward of unused tax credits and unused tax losses can be utilised, except where the deferred 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 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. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that sufficient taxable profit will be available to allow all or past of the deferred tax asset to be utilised.

Deferred 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 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 by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the 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, i.e., 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 in the income statement in the period in which they are incurred.

Dividends

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

Foreign currency translation

The financial statements are presented in RMB, which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires the directors to make judgements, 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 amounts of the assets or liabilities affected in future.

Estimates and uncertainty

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

Useful lives and residual values of property, plant and equipment

The directors of the Company determine the estimated useful lives and residual values and consequently 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 impairment of receivables 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 impairment expenses in the period in which such estimates have been changed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(Continued)*

Estimates and uncertainty *(Continued)*

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.

Deferred tax assets

Deferred tax assets are recognised for all temporary undeductible provisions to the extent that it is probable that taxable profit will be available against which the temporary undeductible provision can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to temporary undeductible provisions at 31 December 2008 was RMB1,341,000 (2007: Nil). Further details are contained in note 11 to the financial statements.

4. 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; and
- 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.

4. 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 2008 and 2007.

Year ended 31 December 2008

	Manufacture of seamless steel pipes RMB'000	Sourcing and distribution of seamless steel pipes RMB'000	Total RMB'000
Revenue	2,295,160	341,420	2,636,580
Results			
Segment gross profit	474,924	41,770	516,694
Unallocated other income and gains			3,135
Unallocated expenses			(137,714)
Net finance costs			(4,739)
Profit before tax			377,376
Income tax expense			(75,156)
Profit for the year			302,220
As at 31 December 2008			
Assets			
Segment assets	1,045,068	13,825	1,058,893
Unallocated assets			694,847
Total assets			1,753,740
Liabilities			
Segment liabilities			—
Unallocated liabilities			496,391
Total liabilities			496,391
Other segment information:			
Capital expenditure	329,161	—	329,161
Depreciation and amortisation	38,863	—	38,863
Impairment of assets recognised	4,165	—	4,165
Reversal of impairment of assets	—	—	—

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

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 recognised	224	—	224
Reversal of impairment of assets	(850)	—	(850)

4. 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 as at 31 December 2008 and 2007.

The following table presents revenue for the Company's geographical segments for the years ended 31 December 2008 and 2007.

	2008	2007
	RMB'000	RMB'000
Mainland China	**1,529,230**	1,292,293
United States of America	**327,027**	42,861
Switzerland	**186,242**	2,037
Korea	**178,075**	98,651
Others	**416,006**	139,639
	2,636,580	1,575,481

5. 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.

	2008	2007
	RMB'000	RMB'000
Sale of goods	**2,644,154**	1,577,843
Less: Government surcharges	**(7,574)**	(2,362)
Revenue	**2,636,580**	1,575,481

6. OTHER INCOME AND GAINS AND EXPENSES

	2008 RMB'000	2007 RMB'000
Other income and gains		
Government grants	**2,585**	8,540
Other income	**550**	392
Fair value gains, net	**—**	1,000
	3,135	9,932

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

	2008 RMB'000	2007 RMB'000
Other expenses		
Bank charges	**1,640**	209
Rescue loss from flood	**4,067**	—
Loss on disposal of property, plant and equipment	**1,580**	—
Other expenses	**180**	80
	7,467	289

7. FINANCE INCOME AND COSTS

	2008 RMB'000	2007 RMB'000
Finance income		
Bank interest income	**8,537**	11,175
Finance costs		
Bank loan interest	**12,170**	5,036
Less: interest capitalised	**(1,419)**	—
	10,751	5,036
Foreign exchange losses/(gains)	**(722)**	9,025
Less: foreign exchange gains capitalised	**3,247**	—
	2,525	9,025
Interest arising from bill discounting	**—**	272
	13,276	14,333

Included in the foreign exchange losses of RMB9,025,000 for the year ended 31 December 2007, there was an exchange loss of RMB7,383,000 arising from the unspent listing proceeds denominated in Hong Kong dollars because of the depreciation of Hong Kong dollars against RMB.

8. PROFIT BEFORE TAX

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

	Notes	2008 RMB'000	2007 RMB'000
Cost of sales		**2,119,886**	1,276,638
Depreciation	15	**38,210**	30,450
Amortisation of prepaid land premiums	16	**653**	636
Impairment of trade receivable		**—**	224
Write-down/(reversal) of inventories to net realisable value		**4,165**	(850)
Research costs		**4,890**	2,492
Auditors' remuneration		**3,000**	2,850
Staff costs (including directors' and supervisors' remuneration as set out in note 9):			
— Salaries and other staff costs		**35,411**	28,148
— Retirement benefit contributions		**3,122**	3,579

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

Details of the remuneration of directors and supervisors during the years ended 31 December 2008 and 2007, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2008	2007
	RMB'000	RMB'000
Fees	**177**	131
Other emoluments:		
Salaries, allowances, bonuses and other benefits	**548**	253
Performance related bonuses	**—**	550
Retirement benefit contributions	**16**	16
	564	819
	741	950

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2008	2007
	RMB'000	RMB'000
Wu Chang Qi	**—**	25
Wang Xiu Zhi	**—**	25
Zhao Bin	**50**	50
Li Chi Chung	**127**	31
	177	131

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

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

(b) Executive directors, non-executive directors and supervisors

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Retirement benefit contribution RMB'000	Total remuneration RMB'000
2008				
Directors:				
Ye Shi Qu	176	—	4	180
Zhang Hu Ming	146	—	4	150
Xie Yong Yang	116	—	4	120
Zhang Jian Huai	—	—	—	—
Liu Peng	—	—	—	—
	438	—	12	450
Supervisors:				
Yang Quan Fu	40	—	4	44
Yong Jin Gui	30	—	—	30
Liu Jun Chang	40	—	—	40
	110	—	4	114

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

(b) Executive directors, non-executive directors and supervisors *(Continued)*

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Retirement benefit contribution RMB'000	Total remuneration RMB'000
2007				
Directors:				
Ye Shi Qu	51	200	4	255
Zhang Hu Ming	51	200	4	255
Xie Yong Yang	51	150	4	205
Zhang Jian Huai	—	—	—	—
Liu Peng	—	—	—	—
	153	550	12	715
Supervisors:				
Yong Jin Gui	30	—	—	30
Yang Quan Fu	30	—	4	34
Liu Jun Chang	40	—	—	40
	100	—	4	104

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year (2007: Certain remuneration of RMB285,000 was waived by the directors).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2007: four) directors and supervisors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2007: one) non-director or non-supervisor highest paid employee for the year are as follows:

	2008 **RMB'000**	2007 RMB'000
Salaries, allowances and benefits in kind	**521**	696
Retirement benefit contributions	**7**	12
	528	708

The number of non-director or non-supervisor highest paid employee whose remuneration fell within the following band is as follows:

	Number of employee	
	2008	2007
Nil to HK$1,000,000	**1**	1

11. 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 2008 (2007: Nil).

The Company is subject to income tax at the rate of 25% on its taxable income according to the PRC Enterprise Income Tax Law with effective from 1 January 2008 (2007: 33%).

11. INCOME TAX *(Continued)*

The major components of income tax expense for the years ended 31 December 2008 and 2007 are as follows:

	2008 RMB'000	2007 RMB'000
Current income tax:		
Current income tax charge	**76,747**	33,553
Adjustment in respect of current tax of previous years	**—**	(1,485)
Deferred income tax:		
Relating to origination and reversal of temporary differences	**(1,591)**	250
Total tax charge for the year	**75,156**	32,318

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:

	2008 RMB'000	2007 RMB'000
Accounting profit before income tax	**377,376**	216,060
Tax at the applicable tax rate	**94,344**	71,300
Investment tax credits in respect of purchases of domestically-produced property, plant and equipment	**(18,133)**	(38,668)
Difference in deferred tax liabilities arising from the change of tax rate in 2008	**—**	(80)
Adjustment in respect of current tax of previous years	**—**	(1,485)
Tax effect of expense items which are not/(additionally) deductible for income tax purposes	**(1,055)**	1,251
Tax charge for the year	**75,156**	32,318
Effective tax rate	**19.92%**	14.96%

11. INCOME TAX *(Continued)*

The movements in income tax payable during the years ended 31 December 2008 and 2007 are as follows:

	2008 RMB'000	2007 RMB'000
At beginning of year	**39,727**	27,342
Provision for the year	**76,747**	32,068
Payment during the year	**(44,127)**	(19,683)
At end of year	**72,347**	39,727

The movements in deferred tax assets arising from deductible temporary differences between the tax bases of inventories and their carrying amounts for financial reporting purposes during the years ended 31 December 2008 and 2007 are as follows:

	2008 RMB'000	2007 RMB'000
At beginning of year	**—**	—
Deferred tax assets credited to the income statement during the year	**1,341**	—
At end of year	**1,341**	—

The movements in deferred tax liabilities arising from the revaluation of foreign currency contracts to fair value during the years ended 31 December 2008 and 2007 are as follows:

	2008 RMB'000	2007 RMB'000
At beginning of year	**250**	—
Deferred tax liabilities credited to the income statement during the year	**(250)**	250
At end of year	**—**	250

12. DIVIDENDS

	2008	2007
	RMB'000	RMB'000
Proposed final dividend	**68,522**	40,606

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

13. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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 2008 is 761,355,000 (2007: 761,355,000), which is calculated as if the five bonus shares issued for each ten shares held by the shareholders by way of conversion of share premium reserve on 28 April 2008 had been completed before the beginning of the year ended 31 December 2007.

Diluted earnings per share amounts for the years ended 31 December 2008 and 2007 have not been calculated as there were no diluting events during the two years.

14. RETIREMENT BENEFITS CONTRIBUTIONS

As stipulated by the 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 contribution 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.

NOTES TO FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Office equipment and other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
As at 1 January 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 and 1 January 2008	103,925	310,839	1,548	15,024	99,234	530,570
Additions	572	11,654	260	1,324	315,351	329,161
Transferred from construction in progress	26,134	55,568	—	14,339	(96,041)	—
Disposals	(835)	(1,835)	—	(2,316)	—	(4,986)
As at 31 December 2008	129,796	376,226	1,808	28,371	318,544	854,745
Accumulated depreciation:						
As at 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 and 1 January 2008	8,592	63,561	108	5,187	—	77,448
Charge for the year	3,187	32,451	155	2,417	—	38,210
Disposals	(198)	(1,415)	—	(1,793)	—	(3,406)
As at 31 December 2008	11,581	94,597	263	5,811	—	112,252
Net book value:						
As at 31 December 2008	118,215	281,629	1,545	22,560	318,544	742,493
As at 31 December 2007	95,333	247,278	1,440	9,837	99,234	453,122

All buildings of the Company are located in Mainland China.

16. PREPAID LAND PREMIUMS

	2008 RMB'000	2007 RMB'000
Cost:		
At beginning of year	**31,573**	29,166
Additions	**—**	632
Transferred from construction in progress	**—**	1,775
At end of year	**31,573**	31,573
Accumulated amortisation:		
At beginning of year	**1,644**	1,008
Charge for the year	**653**	636
At end of year	**2,297**	1,644
Net book value at end of year	**29,276**	29,929

The leasehold land is held under long term leases and is situated in Mainland China.

17. INVENTORIES

	2008 RMB'000	2007 RMB'000
Raw materials	**92,152**	197,822
Work in progress, at cost	**21,415**	22,567
Finished goods and merchandises	**173,557**	151,502
	287,124	371,891

Included in inventories as at 31 December 2008 were certain raw materials and finished goods carried at a net realisable value of RMB23,882,000 (31 December 2007: RMB1,270,000).

As at 31 December 2008, raw materials accounted for 32.1% of total inventories (31 December 2007: 53.2%), the Company actively coped with the significant fluctuation of steel market price since the 2nd half of 2008, made production based on the received sales orders, and kept raw materials on hand at a reasonable level of production cycle.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

17. INVENTORIES *(Continued)*

As at 31 December 2008, finished goods accounted for 60.4% of total inventories (31 December 2007: 40.7%), finished pipes ready for export increased in line with export sales increased in 2008. In the meantime, normal pipes ready for further process including heating and threading increased with the expand of production and sales of the Company in 2008. Despite of this, the Company made inventory provision of RMB5,365,000 in total to write down certain inventories to their net realisable value as at 31 December 2008 (31 December 2007: RMB1,200,000), because of the significant fluctuation of steel market price.

18. TRADE AND NOTES RECEIVABLES

	2008	2007
	RMB'000	RMB'000
Notes receivable from domestic third parties	**27,735**	5,815
Trade receivables from overseas third parties	**53,083**	57,336
Trade receivables from domestic third parties	**28,441**	2,962
Trade receivables in total	**81,524**	60,298
Impairment	**(359)**	(459)
	108,900	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 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. All trade receivables from overseas third parties as at 31 December 2008 were subsequently received.

18. TRADE AND NOTES RECEIVABLES *(Continued)*

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

	2008	2007
	RMB'000	RMB'000
Outstanding balances with ages:		
Within one year	**81,177**	59,884
Between one and two years	**7**	157
Between two and three years	**86**	257
Over three years	**254**	—
	81,524	60,298

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

	Note	**2008**	2007
		RMB'000	RMB'000
At 1 January		**459**	235
Impairment loss recognised	8	**—**	224
Amount written off as uncollectible		**(100)**	—
		359	459

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB359,000 (31 December 2007: RMB459,000) with a carrying amount of RMB359,000 (31 December 2007: RMB459,000). 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.

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

	2008	2007
	RMB'000	RMB'000
Neither past due nor impaired	**81,165**	59,839

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.

As at 31 December 2008, the Company's trade receivables totalling RMB13,500,000 (31 December 2007: Nil) were pledged to secure the bank loan of RMB20,000,000.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2008 RMB'000	2007 RMB'000
Prepayments	**158,236**	119,238
Deposits and other receivables	**179,256**	30,548
Bank interest receivables	**—**	2,547
	337,492	152,333

The Company wrote off uncollectible prepayments and other receivables of RMB100,000 for the year ended 31 December 2008 (2007: RMB273,000).

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Included in deposits and other receivables were the time deposits of RMB163,369,000 were pledged to the banks to secure the letters of credit as well as the bank accepted drafts that are recorded in notes payable as at 31 December 2008 (31 December 2007: RMB29,317,000).

20. DERIVATIVE FINANCIAL INSTRUMENTS

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

The carrying amounts 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. There was no outstanding future currency contract as at 31 December 2008.

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	**2008** **RMB'000**	2007 RMB'000
Cash and bank balances		**202,114**	62,707
Short-term deposits with maturity of three months or less		**45,000**	100,000
Short-term deposits with maturity of over three months		**163,369**	159,317
		410,483	322,024
Less: pledged time deposits for bank accepted drafts and letters of credit	19	**(163,369)**	(29,317)
Cash and cash equivalents		**247,114**	292,707

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.

22. INTEREST-BEARING LOANS AND BORROWINGS

	2008			2007		
	Contractual interest rate(%)	**Maturity**	**RMB'000**	Contractual interest rate(%)	Maturity	RMB'000
Current:						
Bank loans — secured	**5.04**	**2009**	**20,000**	—	—	—
Bank loans — unsecured	**—**	**—**	**—**	6.39 - 6.84	2008	70,000
			20,000			70,000
Non-current:						
Bank loans — unsecured	**7.74**	**2013**	**30,000**	7.03	2011	14,587
Bank loans — secured	**8.36**	**2012**	**2,693**	—	—	—
Bank loans — secured	**5.67**	**2011**	**16,000**	—	—	—
			48,693			14,587
			68,693			84,587

	2008 RMB'000	2007 RMB'000
Analysed into:		
Bank loans:		
Within one year	**20,000**	70,000
In the second year	**—**	—
In the third to fifth years, inclusive	**48,693**	14,587
	68,693	84,587

All of the bank loans as at 31 December 2008 bore a variable rate.

As at 31 December 2008, the Company's 8.36% bank loan of US$394,000 (equivalent to approximately RMB2,693,000) and 5.67% bank loan of RMB16,000,000 (2007: EUR1,368,200, equivalent to approximately RMB14,587,000) were guaranteed by Tianda Holding.

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

As at 31 December 2008, the Company's bank loan of RMB20,000,000 was secured by the pledge of certain of the Company's trade receivables totalling RMB13,500,000 (31 December 2007: Nil).

Except for the 8.36% bank loan of US$394,000 which was denominated in US$, all borrowings are in RMB.

The carrying amount of the Company's borrowings approximated to their fair value.

23. TRADE AND NOTES PAYABLES

	2008	2007
	RMB'000	RMB'000
Notes payable to third parties	**129,299**	29,317
Trade payables to third parties	**47,504**	52,664
Amount due to Tianda Holding	**—**	1,125
	176,803	83,106

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

The amount due to Tianda Holding was unsecured, interest-free and had no fixed terms of repayment. All remaining trade payable balances were unsecured, interest-free and were generally on a credit term of 30 days.

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

	2008	2007
	RMB'000	RMB'000
Outstanding balances with ages:		
Within one year	**174,466**	82,074
Between one and two years	**1,305**	412
Between two and three years	**412**	453
Over three years	**620**	167
	176,803	83,106

Notes payable were the bank accepted drafts that were secured by the pledge of certain of the Company's time deposits amounting to RMB129,299,000 as at 31 December 2008 (31 December 2007: RMB29,317,000).

24. OTHER PAYABLES AND ACCRUALS

	2008	2007
	RMB'000	RMB'000
Advances from customers	**72,507**	39,099
Payroll payables	**17,614**	16,047
Other payables	**88,427**	73,085
Payable to Tianda Holding	**—**	35,000
	178,548	163,231

Except for the value-added tax and other miscellaneous tax payable included in other payables, all the remaining balances of other payables and accruals were unsecured, interest-free and had 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.

25. ISSUED CAPITAL

	2008	2007
	RMB'000	RMB'000
Shares		
Registered, issued and fully paid:		
Domestic shares of RMB0.50 each, currently not listed	**255,000**	170,000
H shares of RMB0.50 each	**125,678**	83,785
	380,678	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.

25. ISSUED CAPITAL *(Continued)*

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 an 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.

The Company issued and allotted 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 five new shares for every ten 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.

A summary of the transactions during the years ended 31 December 2008 and 2007 with reference to the above movements in the Company's issued capital is as follows:

	Number of shares in issue	**Issued capital**	**Share premium account**	**Total**
	'000	RMB'000	RMB'000	RMB'000
At 1 January 2007 and 31 December 2007	507,570	253,785	380,457	634,242
Share premium transfer to capital	253,785	126,893	(126,893)	—
Reclassification from retained earnings	—	—	46,088	46,088
At 31 December 2008	761,355	380,678	299,652	680,330

26. 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 "**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.

26. RESERVES *(Continued)*

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 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.

27. FINANCIAL INSTRUMENTS

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.

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

	Carrying amount		**Fair value**	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets at fair value through profit and loss (designated as such upon initial recognition):				
Derivative financial instruments	**—**	1,100	**—**	1,100
Loans and receivables:				
Cash and cash equivalents	**247,114**	292,707	**247,114**	292,707
Bank interest receivables	**—**	2,547	**—**	2,547
Trade and notes receivables	**108,900**	65,654	**108,297**	65,532
Pledged deposits	**163,369**	29,317	**163,369**	29,317
Other financial assets included in prepayments, deposits and other receivables	**15,887**	1,231	**15,887**	1,231
	535,270	391,456	**534,667**	391,334
	535,270	392,556	**534,667**	392,434

27. FINANCIAL INSTRUMENTS *(Continued)*

Fair values *(Continued)*

	Carrying amount		Fair value	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Financial liabilities at fair value through profit and loss (designated as such upon initial recognition):				
Derivative financial instruments	**—**	(100)	**—**	(100)
Financial liabilities at amortised cost:				
Trade and notes payables	**(176,803)**	(83,106)	**(174,543)**	(82,367)
Interest-bearing loans and borrowings				
— Floating rate borrowing	**(68,693)**	(14,587)	**(68,693)**	(14,587)
— Fixed rate borrowings	**—**	(70,000)	**—**	(69,957)
Financial liabilities included in other payables and accruals	**(46,122)**	(74,788)	**(46,122)**	(74,788)
	(291,618)	(242,481)	**(289,358)**	(241,699)
	(291,618)	(242,581)	**(289,358)**	(241,799)

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

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments, other than derivatives, comprise interest-bearing loans and borrowings, as well as cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various financial assets and liabilities such as trade and notes receivables as well as trade and notes payables, which arise directly from its operations.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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 2008 and 2007, 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 these risks which are summarised below. The Company's accounting 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 the Company's long-term debt obligations with a floating interest rate. The Company does not use derivative financial instruments to hedge its interest rate risk.

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).

	Increase/(decrease) in basis points	**Increase/(decrease) on profit before tax** RMB'000
2008		
RMB	+50	(330)
RMB	-50	330
EUR	+50	—
EUR	-50	—
US$	+50	(13)
US$	-50	13
2007		
RMB	+50	—
RMB	-50	—
EUR	+50	(73)
EUR	-50	73
US$	+50	—
US$	-50	—

28. FINANCIAL RISK MANAGEMENT OBJECTIVES 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 42% of the Company's sales for the year ended 31 December 2008 (2007: 18%) 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).

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

	Increase/(decrease) in basis points	Increase/(decrease) on profit before tax RMB'000
US$		
2008	+5%	7,620
	-5%	(7,620)
2007	+5%	(1,128)
	-5%	3,323
EUR		
2008	+5%	920
	-5%	(920)
2007	+5%	(671)
	-5%	671
HK$		
2008	+5%	1
	-5%	(1)
2007	+5%	53
	-5%	(53)

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 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.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES 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 is 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 receivables are disclosed in note 18 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 instruments and financial assets (e.g., trade receivables) 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 summarises the maturity profile of the Company's financial liabilities at 31 December 2008 and 2007 based on contractual undiscounted payments.

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2008					
Interest-bearing loans and borrowings	—	20,000	—	48,693	68,693
Trade and notes payables	47,504	41,573	87,726	—	176,803
Financial liabilities included in other payables and accruals	46,122	—	—	—	46,122
	93,626	61,573	87,726	48,693	291,618

	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2007					
Interest-bearing loans and borrowings	—	—	70,000	14,587	84,587
Derivative financial instrument	—	100	—	—	100
Trade and notes payables	53,789	3,597	25,720	—	83,106
Financial liabilities included in other payables and accruals	74,788	—	—	—	74,788
	128,577	3,697	95,720	14,587	242,581

NOTES TO FINANCIAL STATEMENTS

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2008 and 2007.

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, other payables and accruals, less cash and cash equivalents. Capital includes equity attributable to the equity holders. The gearing ratios as at the balance sheet dates were as follows:

	2008 **RMB'000**	2007 RMB'000
Interest-bearing loans and borrowings	**68,693**	84,587
Trade and notes payables	**176,803**	83,106
Other payables and accruals	**178,548**	163,231
Less: Cash and cash equivalents	**(247,114)**	(292,707)
Net debt	**176,930**	38,217
Equity	**1,257,349**	995,735
Capital and net debt	**1,434,279**	1,033,952
Gearing ratio	**12%**	4%

29. RELATED PARTY TRANSACTIONS

During the years ended 31 December 2008 and 2007, the Company had the following material transactions with related parties:

	2008 RMB'000	2007 RMB'000
Sales of seamless pipes to		
Fellow subsidiaries (note a)	**1**	5
Purchases of water from Tianda Holding (note b)	**409**	706
Purchases of pipe protection casings and		
packaging materials from fellow subsidiaries (note c)	**—**	283
Lease of a dormitory from Tianda Holding (note d)	**96**	96
Entrusted loan from Tianda Holding (note e)	**98,900**	—
Guarantees for the bank loans provided by		
Tianda Holding (note f)	**32,708**	14,587
Compensation of key management personnel		
Short-term employee benefits	**1,230**	2,654
Retirement benefit contributions	**41**	50
	1,271	2,704

Notes:

(a) These transactions were carried out based on costs incurred, as agreed between the Company and the fellow subsidiaries.

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

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

(d) 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.

29. RELATED PARTY TRANSACTIONS *(Continued)*

Notes: *(Continued)*

(e) The two interest-free entrusted loans of RMB98,900,000 in total provided through China Construction Bank by Tianda Holding in June 2008 for the Company's purchase of raw materials. The Company repaid all the above loans in July and August 2008, respectively.

(f) Tianda Holding provided guarantees for certain of the Company's borrowings for the year ended 31 December 2008 and 2007. The aggregated guarantees for the bank loans were RMB32,708,000 in 2008, of which RMB14,015,000 bank loans were repaid before 31 December 2008. The remaining loans of RMB18,693,000 were as at 31 December 2008, with details in Note 22 above.

30. COMMITMENTS

Capital commitments

	2008 **RMB'000**	2007 RMB'000
Contracted, but not provided for	**504,716**	350,625

In addition, the Company applied for certain irrevocable letters of credits with the banks as at 31 December 2008, with aggregated amount of EUR17,819,830, Yen210,000,000 and US$3,546,000, respectively (equivalent to approximately RMB212,244,000). The Company only pledged time deposits of RMB34,070,000 to secure the part of the above letters of credits with amount of EUR3,735,000. The above letters of credits will be due in the period from 26 April 2009 to 30 June 2010.

Operating lease commitments

Future minimum rentals payable to Tianda Holding under non-cancellable operating leases as at 31 December 2008 and 2007 are as follows:

	2008 **RMB'000**	2007 RMB'000
Within one year	**—**	96
After one year but not more than five years	**—**	—
	—	96

31. POST BALANCE SHEET EVENTS

Pursuant to a resolution of the board of directors on 18 February 2009, the directors recommend the payment of a final cash dividend of RMB0.09 per share (inclusive of tax).

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 18 February 2009.