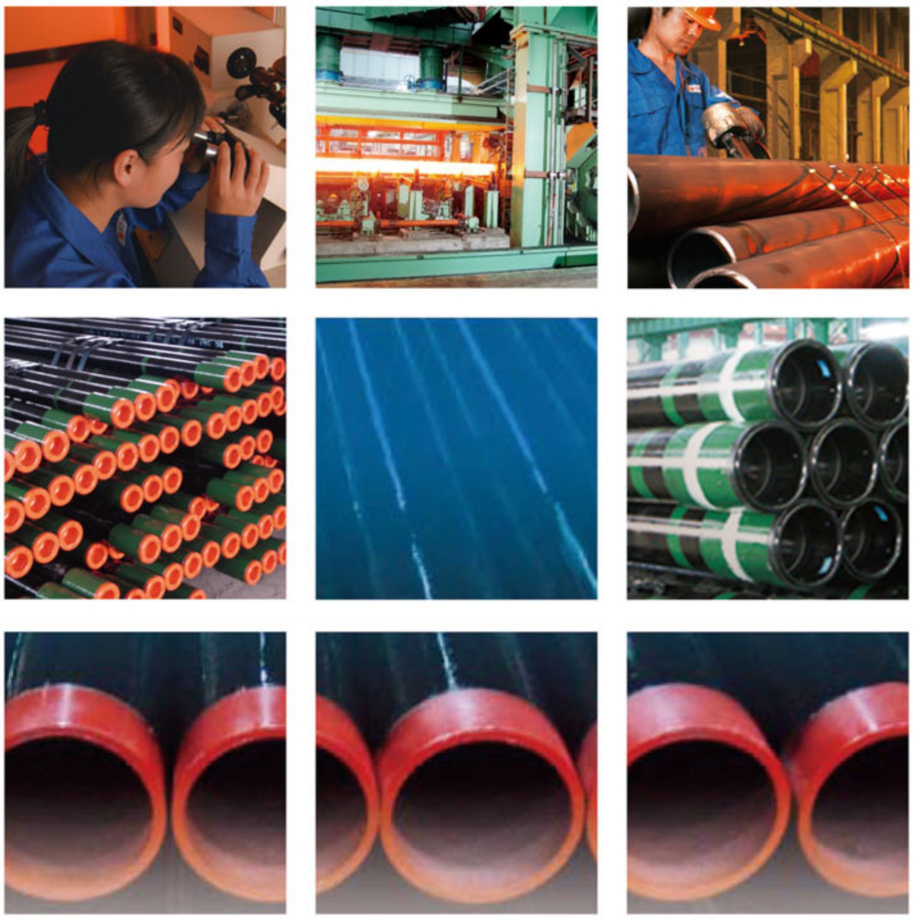
Anhui Tianda Oil Pipe Company Limited
安徽天大石油管材股份有限公司

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

(Stock Code : 839)



ANNUAL REPORT 2009

CONTENTS

CORPORATION INFORMATION

BOARD OF DIRECTORS

Executive Directors

YE Shi Qu (Chairman)
ZHANG Hu Ming
(Deputy Chairman and General Manager)
ZHANG Jian Huai

Non-executive Directors

XIE Yong Yang
LIU Peng

Independent Non-executive Directors

WU Chang Qi
ZHAO Bin
AU Kwok Yee Benjamin

Supervisors

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

COMPLIANCE OFFICER

ZHANG Hu Ming

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
ZHANG Jian Huai

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
Huishang Bank

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

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

	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000
Profit and loss items					
Revenue	**1,936,743**	2,636,580	1,575,481	1,265,314	906,590
Gross Profit	**269,067**	516,694	298,843	251,775	144,181
Net profit	**199,689**	302,220	183,742	118,491	71,874
Balance sheet items					
Total non-current assets	**1,276,523**	773,110	483,051	370,210	280,546
Total current assets	**2,142,110**	980,630	883,685	788,361	305,103
Total assets	**3,418,633**	1,753,740	1,366,736	1,158,571	585,649
Total non-current liabilities	**626,214**	48,693	14,837	35,000	85,000
Total current liabilities	**1,231,111**	447,698	356,164	286,199	189,347
Total liabilities	**1,857,325**	496,391	371,001	321,199	274,347

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 present to shareholders the annual report and audited financial statements for the financial year ended 31 December 2009.

In 2009, the global oil well pipe industry was severely hit and hampered by the devastating financial crisis, and was faced with harsh market environment. Given this scenario, riding on rapid growth over the past few years, the senior management and all staff of the Company positively and proactively kept us ahead of the prevailing challenges by taking great leaps in consolidating existing markets and tapping new markets; We strictly controlled costs, and promoted system construction and management. During the year under review, the Company successfully reached the overall goals of production volume and sales volume which were set at the beginning of the year. We realized a total production capacity of 350,000 tonnes, representing an increase of 9.0% over 2008; We reported a realized total sales volume of 400,000 tonnes, a growth of about 12.7% over 2008. However, given that the price of finished products dropped along with the sharp fall in raw and auxiliary materials prices, the Company recorded a turnover of approximately RMB 1,936,743,000 in 2009, down 26.5% over last year; We registered net profit attributable to shareholders of RMB199,689,000, representing a reduction of 33.9% over last year.

SUCCESSFULLY COMPLETION AND COMMERCIAL COMMISSION OF THE 300,000 TONNES HIGH-GRADE OIL WELL STEEL PIPE PROJECT

To cope with increasingly furious market competition, it is prime time for us to constantly polish the Company's technological level and production scale. During the year under review, the Company actively advanced the construction progress of the 300,000 tonnes high-grade oil well steel pipe project and promoted the implementation of supporting work such as staff training by strictly following the project timetable. Such production line was successfully completed on 3 January 2010.

Premium Quality Finishing PQF® 3-roller six-stand continuous rolling mill equipment was introduced by the project. It represents the world's newest and highest technology in the oil well pipe manufacturing industry. The commission of the project has significantly uplifted the Company's pipe-producing craftsmanship, technical level as well as product quality and added value.

SCIENTIFICALLY CONTROLLING COSTS AND FURTHER CREATING POTENTIAL SYNERGIES

As a manufacturing enterprise, excellent cost control is the crucial key for maintaining sustained bloom. During the year under review, the Company strictly controlled cost budget and carried out special inspections and analyses of cost management. Through comprehensive sort of business processes of cost management and scientific analysis of cost management, we identified weak links and key links to solve practical problems, so as to step up system building, uplift system management and further elevate corporate management level. In addition, we expanded incomes, reduced costs and upgraded efficiency from the source and from day-to-day management, while making emphasized efforts to ameliorate normative standardization of project implementation procedures.

OPTIMIZING MARKET STRUCTURE AND FOCUSING ON THE DEVELOPMENT OF EMERGING MARKETS

The Company has always attached importance to the optimization and adjustment of the structure of customer base and product mix. Under a tough market environment where the real economy continued to be affected by the global financial crisis, we incessantly increased marketing efforts and optimized product mix to capture the needs from customers in new markets. During the year under review, in the domestic market, the Company solidified its cooperative relations with four major oil exploration companies in China on the one hand and actively explored other specialized pipe markets on the other hand. Thanks to the Company's extensive customer reach over the years, renowned and reputed image in the industry, coupled with edges in terms of product cost and quality, in 2009, the Company achieved a domestic sales volume of approximately 294,000 tonnes (2008: approximately 220,000 tonnes), a year-on-year growth of 33.6%.

In overseas markets, during the year under review, as the oil well pipe markets across the globe were undergoing inventory liquidation as well as some countries and regions were implementing trade protection policies, the Company benefited from a strategic global sales planning after its listing in Hong Kong in 2006. We have continuously carved a stronger niche in the Southeast Asia and Middle East markets where we have already established a firm foothold, while delivering greater intensity of efforts to expand into potential markets in Africa, South America and Australia. Notable success was achieved. In 2009, the Company posted a total export sales of 106,000 tonnes (2008: 135,000 tonnes), down 21.5% against last year. The sales volume in emerging markets other than Europe and North America represents about 71.0% (2008: about 57.2%) of the total sales volume.

During the year, the Company continued to reinforce the standard and capability of its one-stop services to achieve solid customer base and optimize market structure. Meanwhile, it timely self-manufactured certain varieties and specifications of products among one-stop services instead of external procurement.

INVIGORATING RESEARCH AND DEVELOPMENT, HEIGHTENING EQUIPMENT PERFORMANCE AND ENRICHING PRODUCT VARIETY

During the year under review, the Company continued to beef up the technological transformation of production line equipment, improve workflow, minimize production wastage and raise equipment efficiency, in order for existing production lines to play a full load capacity.

With regard to product research and development, the Company is always dedicated to a market-oriented research and development approach in order to foster product differentiation. As for varieties in oil well pipe products, we will focus on enriching production specifications, while conducting research and development of specialized pipes with other features, such as automotive specialized pipes and nuclear power specialized pipes, by using mature production technology processes of oil well pipes.

PROSPECTS

Invigorated by economic stimulus policies implemented by governments across the globe and effective regulation of financial markets, the world economy recovered from the crisis in early 2010, and is expected to pick up vitality. Amid such financial crisis, the economic strength of emerging economies represented by "BRIC" (Brazil, Russia, India and China) has played an increasingly vital part in the world economy, and has become an important driving force to lead the way towards global economic boom. In particular, given sustained growth of investment, steady increase in consumption, coupled with significant improvement in external demand, China's economy is expected to continue to thrive with promising momentum.

With the recovery of the international economy, oil demand is expected to showcase an astounding growth again. According to the monthly report relating to global oil market forecasts issued by the International Energy Agency on 12 March 2010, in 2010, the average daily global oil demand will increase by 1,600,000 barrels over 2009, representing a growth rate of 1.8%. According to the forecasts made by a number of international financial institutions, in 2010, the average crude oil price per barrel will be more than US$85, which is higher than the average crude oil price per barrel of about US$51 in 2009. Soaring demand and higher price of crude oil will stimulate the demand for oil special pipes and other special pipes from oil corporations. Specifically, the demand for high-grade and high-price special seamless pipes will continue to increase.

However, it should be noticed that the recovery of world economy was still relatively fragile, while the risk exposures of the financial sector are yet to be completely eliminated. It is quite difficult for nations to make decisions on stimulus exit plans. International bulk commodity prices and exchange rates of major currencies may be featured with increasing fluctuations, and the rise of trade protectionism may complicate the prevailing scenario. In this light, the Company's external operating environment is still full of many unstable and uncertain factors. In respect of special seamless pipe industry, though there is still a supply-demand balance for high-end products, but the supply of low-end products has become saturated. In particular, trade protectionism exercised by some countries will further intensify the competition. In addition, with the gradual increase in prices of raw materials such as steel billets and energy, businesses will be placed under greater pressures of operational costs accordingly.

Just like "rainbow after the storm", changes and difficulties in the business environment represent both challenges and opportunities for us. In 2010, the Company will give full play to its advantages of high efficiency and sophisticated technical equipment. We will continue to pursue our philosophy of product differentiation and quality refinement. By riding on the operation of our 300,000 tonnes high-grade oil steel pipe project, we will enhance the Company's technological level, operational scale and profitability; We will step up the construction progress of our 300,000 tonnes heat treatment project and 300,000 tonnes automotive wire processing project, and strive to put those projects into operation as soon as possible; We will strengthen cost management and risk awareness in order to better cost control, thereby shifting and reducing cost pressures arising from the surge in raw material prices; We will vigorously explore new markets, optimize customer base structure, while tapping into opportunities brought about by industry consolidations by actively fortifying the industry collaborations, in order to make the Company grow by leaps and bounds.

The Company has established a firm foothold in China's special seamless pipe industry for nearly seventeen years. We have experienced ups and downs in the macroeconomic environment. Over years of operation, we have nourished a good-natured corporate culture, a distinguished talent team and rich experience in business operations. We are well positioned to meet challenges, seize opportunities and achieve growth by leaps and bounds. Looking ahead, we will proactively foster our corporate development strategy, and incessantly create new value for shareholders with unswerving confidence and unwavering dedication.

2010 is an important and challenging year for the Company. I and the Board of Directors are confident of the Company's future development. Leveraging on astounding growth and powerful capabilities over the past few years, the Company's equipment capacity, technical capacity, managerial capacity and human resources advantages were further enhanced. In the new chapter of our history, we will more steadily and solidly give full play to our own strengths by bolstering cost management and risk awareness, and energetically expanding markets. Meanwhile, we will closely grasp the opportunities arising from industry consolidations and actively tighten collaborations with industry peers, in order to make our business grow by leaps and bounds.

ACKNOWLEDGEMENT

Finally, on behalf of the Board of Directors, I would like to take this opportunity to express appreciation to all shareholders, customers and employees of the Company for their support for the continuous success of the Company in time of economic adversities and difficult business environment. As the global economy is recovering, we are committed to bring about steadily thriving performance and prominent development prospects for the Company so as to maximize returns for shareholders at our best efforts.

Ye Shi Qu
Chairman

Anhui, the PRC, 30 March 2010

MANAGEMENT DISCUSSION AND ANALYSIS

In 2009, the global financial crisis gave a severer blow to the real economy. In the face of the complex and volatile macroeconomic environment, as well as the execution of trade protectionism policies by some countries and regions, the Company's management with many years of management experience has initiated product innovation and market innovation, and strictly implemented a series of management measures. As a result, the Group achieved a steady surge in production and sales volume during the year, while embracing itself with a more solid financial position.

FINANCIAL REVIEW

The Group's total revenue for the year amounted to approximately RMB1,936,743,000. Compared with the amount of approximately RMB2,636,580,000 recorded in 2008, there was a reduction of approximately RMB699,837,000 or a decline of about 26.5%. The reduction was primarily due to the increase in the Group's sales volume by 12.7% as compared with the same period last year, while being off-set by the year-on-year decrease in selling prices of about 34.8% as a result of the significant drop in raw material prices. The Group recorded gross profit for the year of approximately RMB269,067,000. Compared to the amount of about RMB516,694,000 in 2008, there was a decrease of approximately RMB247,627,000 or a decline of about 47.9%. The decrease was mainly attributable to the drop in product prices and the intensification of market competition in wake of the impacts of the global financial crisis.

For the year ended 31 December 2009, the Group's other income and gains amounted to approximately RMB60,165,000. Compared with the amount of approximately RMB11,672,000 in 2008, there was an increase of about RMB48,493,000 or a growth of about 415.5%. This was mainly because: 1. the Group actively sought for more government incentives and subsidies; 2. the Group obtained higher interest income by making full use of the time difference of cash payment through sophisticated deployment and use of liquidity, and by timely adopting settlement methods including seven-day notice deposits and purchase price payment via bank acceptance remittance of cash fixed deposits in respect of the liquidity; 3. the Group generated net gains of approximately RMB11,198,000 in the current year from the forward currency contracts which were signed to hedge the foreign exchange risk with respect to the foreign currency transactions including overseas sales and import of machinery and equipment.

For the year ended 31 December 2009, the Group's selling and distribution costs were approximately RMB67,431,000. Compared with the figure of about RMB89,177,000 in 2008, there was a decrease of approximately RMB21,746,000 or a decline of about 24.4%. This was mainly due to the decrease in transportation costs by 29.1% over last year as a result of a more reasonable allocation of logistics by the Group.

For the year ended 31 December 2009, the Group's administrative expenses amounted to approximately RMB22,844,000. Compared to the amount of about RMB41,070,000 in 2008, there was a decrease of approximately RMB18,226,000 or a decline of about 44.4%. This was mainly because the impairment provision of RMB2,490,000 for inventory made last year was written-back during the year, and the Group has lowered the overall costs by taking internal management measures to expand incomes, cut costs and reduce administrative expenses.

Financial costs of the Group for the year ended 31 December 2009 were approximately RMB1,391,000 (2008: approximately RMB13,276,000), which decreased by about RMB11,885,000 compared with the previous year. This was mainly because the Group had more short-term bank loans in 2008 but had more long-term bank loans during the year, and all the interest charges arising from those loans were capitalized in the construction in progress.

The Group's income tax during the year was approximately RMB35,905,000 (2008: approximately RMB75,156,000), which reduced by about RMB39,251,000 as compared with last year. This was mainly because the Company has successfully applied and being recognised as a new and high-tech enterprise under the "Management Methods for Identification as a New and High-tech Enterprise" (《高新技術企業認定管理辦法》) during the year. According to the provisions of the Enterprise Income Tax Law, the Company's statutory enterprise income tax rate will be lowered to 15% from 25% in 2009, and in 2008 the Company had preferential income tax credits of RMB18,133,000 from the purchases of domestically-produced property, plant and equipment.

The Group's profit attributable to the owners of the parent during the year amounted to approximately RMB199,689,000 (2008: approximately RMB302,220,000). Compared with the figure of the previous year, profit attributable to the owners of the parent reduced by about RMB102,531,000 or dropped by about 33.9%. This was mainly due to the decrease in product gross profit amidst the global financial crisis.

OPERATIONS REVIEW

Specialized pipe corporations in the PRC were exposed to tough challenges in 2009. Dampened by the financial crisis, the demand across the globe, particularly in overseas markets, was weak and sluggish. In addition, Europe, the United States and other developed countries imposed trade protectionism. Accordingly, China's export volume of specialized pipe products was weighed down. On the other hand, given the change in supply-demand relationship in the domestic market, coupled with the impact of the substantial decrease in raw materials prices on a year-on-year basis, the prices of specialized pipe products fell. To weather the abrupt market environment, the Group has always attributed importance to optimal adjustment of its product mix and market structure. And, by virtue of years of management experience in specialized pipe operations and an admirable brand image, through product differentiation strategy, the Group managed to seize the opportunities arising from rising demand in emerging markets, and hence, steadily broadened its market share and bettered its market position.

Steadily increasing production and sales volume, and constantly optimizing customer base

During the year under review, affected by the macroeconomic conditions, there was a change in the structure of the varieties of specialized pipe products required by the oil and gas drilling industry and the equipment manufacturing industry. With our insight into the changing market needs, we developed new products and optimized product mix to cater for customers' needs. During the year under review, the Group's production volume soared by about 9.0% over the last year to approximately 350,000 tonnes (2008: approximately 321,000 tonnes).

During the year under review, in the domestic market, the Group fortified its cooperation with four major oil fields in China on the one hand, and vigorously explored other specialized pipe markets on the other hand. Benefited from the Group's praiseworthy industry image throughout the years, extensive customer reach and product edges in terms of cost and quality, during the year under review, the Group delivered approximately 294,000 tonnes (2008: approximately 220,000 tonnes), a year-on-year surge of about 33.6%.

During the year under review, despite of the slack demand in overseas markets and the imposition of trade protection policies in some developed countries, yet, the Group reaped remarkable results by practicing a series of measures to extend into emerging markets including the Southeast Asia, the Middle East, Africa and South America. During the year under review, we reported an overseas sales volume about 106,000 tonnes (2008: approximately 135,000 tonnes), down about 21.5% over the same period last year. The sales volume in emerging markets other than Europe and North America represents about 71.0% (2008: about 57.2%) of the total sales volume.

Putting more marketing efforts and enhancing brand awareness

The Company held the Fifth Shanghai International Industry Exhibition at the Shanghai International Exhibition Center in May 2009. It organized 2009 Northeast Asia Expo at the Changchun International Convention & Exhibition Center in September 2009, and hosted 2009 China (Cangzhou) Pipeline Equipment Exhibition in Cangzhou City, Hebei Province in November 2009. By this means, the Group has built an extensive coverage to reach its customers, thereby further nourishing the Company's brand influence.

During the year under review, the Company's Trademark Graphics was honored as a Well-known Brand of Anhui Province, thus further raising the brand reputation and influence of the Company's products.

Continuously reinforcing financial management focused on inventory and accounts receivable management and effectively circumventing operational risk exposures

One of the important objectives of the Group's overall strategy in 2009 was to achieve a sustainable business growth, while exercising effective cost control and risk control measures. During the year, the Group made emphasized efforts in strengthening the integrated use of enterprise resource planning (ERP) management systems to enhance the management of the entire process of procurement, warehousing, finance and marketing. In particular, we stepped up our inventory and accounts receivable management, and strengthened the selection of suppliers and the optimization of customer base. The Group implemented a very strict risk control over inventories of raw materials and finished goods to ensure that the inventory and stock structure is always maintained at a reasonable level. The increase in inventory at the end of the period was due to the increase in raw and auxiliary materials prepared for the production of the newly built 300,000 tonnes high-grade oil well steel pipe production lines. With the increase in sales in emerging export markets, the finished pipe products to be transported for export were also the reason for the increase. The Group has always paid attention to the management of accounts receivable. The recovery period of accounts receivable during the year under review was 22 days, which was longer than the recovery period of 10 days last year. This was mainly due to the extension of longer credit period given by the Group to strategic customers such as Yanchang Oilfield Company Limited (延長油田股份有限公司) in respect of incremental orders. Accounts receivable of large balances will be reviewed and tracked by senior management on a regular basis. The management believes that the current accounts receivable are not subject to substantial risks of non-recovery.

Market-orientated and customer-centered research and development

The Group is always committed to investments in research and development. With the development model in which independent research and development as a core basis, and co-organization of research and development with research institutions in the industry as an auxiliary, the Group will constantly develop brand new products in line with market demand. During the year under review, by making oil well pipes more resistant to corrosion through plastic re-coating of internal and external walls of oil well pipes, the Group has independently developed new products including seamless steel pipes for heat exchangers, U-type corrugated seamless steel pipes, oil coating installations for steel pipes, a kind of groove end steel pipe, a kind of line pipe, high sealing threaded casing pipes with coupling, high strength threaded casing pipes with coupling. The Group has made 11 declarations of Utility Model Patent Certificates issued by the State Intellectual Property Office.

The Group has always placed an indispensable value to technological transformation of production equipment, improvement of workflows and reinforcement of the monitoring of the performance of digital equipment in order to reduce production wastage and improve production efficiency. During the year under review, the Group increased its investments in the upgrade and improvement of facilities for testing, and received technology software copyright certificates for the monitoring systems of certain equipment such as ring stoves, piercing machines, rolling tube machines, walking beam furnaces and hardening furnaces. With profound capabilities of craftsmanship development and extensive experience in production, a strong cornerstone is laid for the digestion and absorption of the workflow technology of the production line under phase II of the 861 Action Plan as well as the improvement in operational efficiency.

Successfully completing the 300,000 tonnes high-grade oil well steel pipe production line construction project

During the year under review, the Company was actively rolling out the construction work of phase II construction project of the 861 Action Plan. The project was successfully completed on 3 January 2010. The construction progress of the project was proceeding as expected.

The 300,000 tonnes high-grade oil well steel pipe project introduced the most advanced Premium Quality Finishing PQF® 3-roller six-stand continuous rolling mill equipment (the most critical equipment in the main body of oil well pipe production line) from SMS MEER Gmbh of Germany. Such device represents the world's latest and the highest technology, with distinct advantages of low energy consumption and low greenhouse gas emissions. The introduction of such device has enhanced the Company's pipe-producing craftsmanship, technical level and product quality and added value.

The production line of this project has features of high finished product rate and high rolling precision and strong flexibility, and is applicable for mass production of high-end products of non-API and API series. The products of this project are widely used in the exploration of deep wells, marine oil wells, oil wells with harsh geo-environmental conditions and oil wells with complex oil and gas composition.

Recognized to become a new and high-tech enterprise to enjoy a preferential income tax rate of 15%

During the year under review, the Company was successfully recognized as a new and high-tech enterprise by the relevant government authorities of the PRC. Such recognition is valid for three years. According to the new Enterprise Income Tax Law, as a new and high-tech enterprise, the Company will be subject to enterprise income tax at a preferential tax rate of 15% within three years (inclusive of 2009) (the national statutory enterprise income tax rate is 25%).

MAJOR EVENTS

In December 2009, the Company placed 50,271,000 new H Shares to an independent institution at HK$4 per share. The placing of the shares represented about 6.6% and about 20% of the total number of issued shares and issued H shares of the Company before placing respectively. The placing raised net funds of HK$196,000,000, which were wholly used as general working capital for the 300,000 tonnes high-grade oil well steel pipe project. After placing, the Company's total number of issued shares was 811,626,000, of which 301,626,000 were issued H shares.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group's cash and bank deposits amounted to approximately RMB384,217,000 (31 December 2008: approximately RMB247,114,000). As at 31 December 2009, the Group's interest-bearing loans and borrowings amounted to approximately RMB647,736,000 (31 December 2008: approximately RMB68,693,000). Bank loans of the Group bore interest at rates ranging from 1.39% to 7.74% per annum in 2009. Except for bank loans in the amount of RMB330,000,000, the remaining loans were guaranteed. Bank loans of the Group are denominated in Renminbi or other foreign currencies.

The Group's gearing ratio as at 31 December 2009 was approximately 18.9% (31 December 2008: approximately 3.9%), which was a percentage based on the interest-bearing loans and borrowings divided by total assets.

CHARGES ON ASSETS

As at 31 December 2009, part of the Group's time deposits of approximately RMB622,276,000 (31 December 2008: approximately RMB163,369,000) were pledged to secure the bank accepted drafts and letters of credit and bank loans. As at 31 December 2009, none of the Group's property, plant and equipment was pledged (31 December 2008: Nil).

SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 2009, the Group did not have any significant investment.

MAJOR ACQUISITION AND DISPOSAL

The Group did not make any major acquisition or disposal during the year ended 31 December 2009.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE RISK

Generally, when the Group sells its products to overseas customers, it is dealing in United States dollars. 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 Group applied forward currency contracts to hedge against exchange risk resulting from overseas sales transactions. Forward currency contracts should be denominated in the same currency with the transactions to be hedged. It is the Group's policy to enter into forward currency contracts after attaining confirmed orders from customers.

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

SEGMENTAL INFORMATION

1. Self-produced specialized pipes

   For the year ended 31 December 2009, the sales volume of the Group's self-produced specialized pipes was approximately 350,000 tonnes (2008: approximately 308,000 tonnes), representing an increase of approximately 13.6% as compared with the same period of the previous year.

2. Sourcing and distribution of specialized pipes

   Apart from self-produced specialized seamless pipes to fulfill the demand of the Group's customers, the Group 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 Group 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 2009, the sales volume of the Group's sourcing and distribution of specialized pipes was approximately 50,000 tonnes (2008: approximately 47,000 tonnes).

The prospects of the Group's sourcing and distribution business of specialized seamless pipes will remain vigorous in line with the trends and tides of the future economic development. Concurrently, certain products will be self produced instead of being procured externally.

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 2009, the Company had 1,658 employees (as at 31 December 2008: 1,383 employees). The remuneration package for the Group's employees includes salaries, incentives (such as bonus based on work performance) and allowances. The Group also provides social security and benefits to its employees. Adequate provisions have been made in the accounts based on the provisions of the PRC government.

The Group 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.

USE OF PROCEEDS FROM INTERNATIONAL PLACING IN DECEMBER 2009

In December 2009, the Company raised net proceeds of approximately HK$196,000,000 through an international placing. As at 31 December 2009, the use of proceeds by the Company was in line with the details set out in the announcement dated 4 December 2009.

CORPORATE GOVERNANCE REPORT

It is our longstanding belief that a high standard of corporate governance is the key for the Company's stable and effective operation and is in the long-term interests of shareholders. Throughout the year ended 31 December 2008, the Company has complied with the relevant regulations in the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Board and the senior management of the Company have earnestly appraised the requirements of the Code and reviewed the practices of the Company to ensure full compliance with the Code.

BUSINESS OBJECTIVES

During the period from the listing of the Company to 31 December 2009, the Company commenced its business operations in accordance with the business plan and business objectives as stated in the Prospectus, and has smoothly 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 according to the principles of trust and impartiality. 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 2009, 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 2009, there were in total 7 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	7	7	100%
Mr. Zhang Hu Ming	7	7	100%
Mr. Zhang Jian Huai	4	4	100%
NON-EXECUTIVE DIRECTORS			
Mr. Xie Yong Yang	7	7	100%
Mr. Liu Peng	7	7	100%
INDEPENDENT NON-EXECUTIVE DIRECTORS			
Mr. Wu Chang Qi	7	7	100%
Mr. Zhao Bin	7	7	100%
Mr. Li Chi Chung	1	1	100%
Mr. Au Kwok Yee Benjamin	4	4	100%

* Mr. Li Chi Chung resigned as independent non-executive director of the Company with effect from 14 February 2009. Mr. Zhang Jian Huai and Mr. Au Kwok Yee Benjamin served as executive director and independent non-executive director of the Company respectively with effect from 15 April 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In full compliance with Rules 3.10(1) and (2) of the Listing Rules, during the year ended 31 December 2009, 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, Mr. Li Chi Chung and Mr. Au Kwok Yee Benjamin 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 Listing Rules. The Company was actively looking for a suitable candidate, and appointed Mr. Au Kwok Yee, Benjamin as independent non-executive director on 15 April 2009.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

For the year ended 31 December 2009, 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. Zhang Jian Huai, the majority of whom are independent non-executive Directors of the Company.

The committee held two meetings during the year.

Members of the Audit Committee	Number of meetings Held	Attended	Attendance percentage
Mr. Zhao Bin (Chairman)	2	2	100%
Mr. Wu Chang Qi	2	2	100%
Mr. Zhang Jian Huai*	1	1	100%
Mr. Liu Peng*	1	1	100%

* 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. On 15 April 2009, at the first meeting of the second session of the Board, Mr. Zhang Jian Huai was elected as a member of the Audit Committee to replace the duties of Mr. Liu Peng as a member of the Audit Committee.

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**	**Held**	**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. Zhang Jian Huai

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

AUDITORS' REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Company paid an aggregate of approximately RMB650,000 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 enquiries, 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.

REPORT OF THE DIRECTORS

The Board is pleased to present their report and the audited financial statements of the Company for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is engaged in the manufacture, sourcing and distribution of specialized seamless pipes.

RESULTS AND DIVIDENDS

The results of the Company for the year ended 31 December 2009 are set out in the income statement and the accompanying Notes to the financial statements on page 33 to page 88 of this report.

The Board has recommended the payment of a final dividend of RMB0.05 per share (inclusive of tax) in respect of the year ended 31 December 2009. Dividends payable to holders of ordinary domestic shares which are subscribed and/or paid for in Renminbi ("**Domestic Shares**") will be paid in RMB, while dividends payable to holders of overseas listed foreign invested shares ("**H shares**") will be paid in Hong Kong dollars. Subject to the approval at the annual general meeting to be held on 1 June 2010, the final dividend is expected to be payable on or about 30 June 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company shall be closed from 1 May 2010 to 1 June 2010 (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 1 June 2010 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 30 April 2010.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company during the year of 2009 are set out in note 16 of the Notes to the financial statements.

SHARE CAPITAL

Details of the issued share capital of the Company are set out in note 26 of the Notes to the financial statements.

DISTRIBUTABLE RESERVE

Following the listing of H Shares of the Company, 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 People's Republic of China ("the **PRC**") and the financial statements prepared under International Financial Reporting Standards (the "**IFRS**"). As at 31 December 2009, the Company's distributable reserve after such comparison and before deducting the proposed dividend for 2009 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 RMB623,917,000 (31 December 2008: accumulated profits prepared in accordance with PRC GAAP of approximately RMB512,719,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2009, sales to the five largest customers of the Company accounted for less than 26.9% 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 29.9% and 66.6% 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

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

Executive Directors:

Mr. Ye Shi Qu (Chairman)
Mr. Zhang Hu Ming (Deputy Chairman and General Manager)
Mr. Zhang Jian Huai

Non-executive Directors:

Mr. Xie Yong Yang
Mr. Liu Peng

Independent Non-executive Directors:

Mr. Wu Chang Qi
Mr. Zhao Bin
Mr. Li Chi Chung
Mr. Au Kwok Yee Benjamin

Supervisors:

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

Mr. Ye Shi Qu, Mr. Zhang Hu Ming, Mr. Xie Yong Yang, Mr. Liu Peng, Mr. Wu Chang Qi and Mr. Zhao Bin were appointed as directors for the second session of the Board at the re-election meeting upon expiry of the Board of Directors. Of which, Mr. Ye Shi Qu and Mr. Zhang Hu Ming were appointed as executive directors; Mr. Xie Yong Yang and Mr. Liu Peng were appointed as non-executive directors; Mr. Wu Chang Qi and Mr. Zhao Bin were appointed as independent non-executive directors.

Mr. Zhang Jian Huai and Mr. Au Kwok Yee Benjamin were appointed as executive director and independent non-executive director respectively with effect from 15 April 2009.

Mr. Li Chi Chung resigned as independent non-executive director of the Company with effect from 14 February 2009.

Mr. Liu Jun Chang, Mr. Yong Jin Gui and Mr. Yang Quan Fu were appointed as the supervisors of the second session of the supervisory committee at the re-election meeting upon expiry of the supervisory committee.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Ye Shi Qu, aged 60. 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, Nationwide Outstanding Huizhou Merchant 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 and was re-elected as a director on director re-election in April 2009, 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 41. 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 16 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). Zhang Hu Ming was appointed as a director in April 2006, and was re-appointed as a director on director re-election in April 2009, but has been involved in the Company's business since 1993 (when it was then operated by one of the Company's predecessors).

Mr. Zhang Jian Huai, aged 40. He is currently an executive director of the Company. He was a non-executive director of the Company during the period from April 2006 to August 2008 and was the qualified accountant of the Company during the period from September 2008 to August 2009. Engaging in finance and accounting for a number of years, Zhang Jian Huai has over 15 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 was appointed as a director in April 2006, and was re-appointed as a director on director re-election in April 2009, but has been involved in the Company's business since October 2005 (when it was then operated by one of the Company's predecessors).

Non-executive Directors

Mr. Xie Yong Yang, aged 50. He is a non-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 was an executive director of the Company during the period from April 2006 to April 2009. 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. Xie Yong Yang graduated from Hefei Industrial University with post-secondary qualification in economics management. Xie Yong Yang was appointed as an executive director in April 2006 and was re-designated as a non-executive director on director re-election in April 2009, but 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.

Mr. Liu Peng, aged 33. 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 non-executive director in April 2006 and was re-appointed as a non-executive director on director re-election in April 2009. Liu Peng is the nephew of Ye Shi Qu, the chairman.

Independent Non-executive Directors

Mr. Zhao Bin, aged 44. 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 April 2006 and was reappointed as an independent non-executive director on director re-election in April 2009.

Mr. Wu Chang Qi, aged 73. 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 April 2006 and was reappointed as an independent non-executive director on director re-election in April 2009.

Mr. Au Kwok Yee Benjamin, aged 42. He was awarded with a bachelor's degree in laws from the University of Hong Kong in 1991 and obtained a postgraduate certificate in laws in 1992. He is currently the Principal solicitor of Messrs. Benjamin Au & Co Solicitors. He is also an independent non-executive director of Bestway International Holdings Limited (百威國際控股有限公司) (stock code: 718, a listed company on the main board of the Stock Exchange). He has over 10 years of experience in commercial and corporate matters, civil and criminal litigations, intellectual property, business documents drafting and consultation as well as labor affairs and disputes. He has been appointed as an independent non-executive director since 15 April 2009.

Supervisors

Mr. Liu Jun Chang, aged 44. 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. He was appointed as the chairman of the supervisory committee in April 2006 and was reappointed as the chairman of the supervisory committee of the Company on supervisor re-election in April 2009. By taking advantage of his experience as chairman of Tianda Holding's supervisory committee, he supervises, 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 35. He graduated from Anhui Agricultural University with a major in agricultural machinery. He joined the Company after graduation and he has approximately 10 years of experience in corporate management. He was appointed as a director of Tianda Holding in July 2004. He was appointed as a Supervisor in April 2006 and was reappointed as a Supervisor of the Company on supervisor re-election in April 2009, but 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 36. 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 in April 2006 and was reappointed as a Supervisor from staff representative of the Company on supervisor re-election in April 2009.

Senior Management

Mr. Wang Yi, aged 39. 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 39. He graduated from Anhui Mechanical and Electrical Institute with a major in heat treatment in 1993. He joined the Company after graduation and has been involved in the Company's business since July 1993 (when it was then operated by one of the Company's predecessors). He has been engaged 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 45. 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.

Mr. Lv Si Yu, aged 34. 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 46. 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 30. He was the head for the corporate office of Tianda Holding and the Secretary to the Board from March 2002 to May 2007. Chen Dong joined Tianda Holding after graduation and has over 8 years of experience in corporate management. He joined the Company in April 2006 and was appointed as the Secretary to the Board with the effect from 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 2009, 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	–	62.84%
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	Zhang Jian Huai	Beneficial owner	RMB157,500	–	–	–	RMB157,500	0.07%	–
Tianda Holding	Xie Yong Yang	Beneficial owner	RMB2,363,200	–	–	–	RMB2,363,200	1.01%	–
Tianda Holding	Liu Jun Chang	Beneficial owner	RMB1,750,000	–	–	–	RMB1,750,000	0.75%	–
Tianda Holding	Yong Jin Gui	Beneficial owner	RMB2,577,800	–	–	–	RMB2,577,800	1.10%	–

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 20,000,000 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 2009.

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 2009, 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 "CONNECTED AND RELATED PARTY DISCLOSURE" stated in note 31 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 2009, the following persons had an interest or short position in the shares and underlying shares of the Company which were recorded pursuant to section 336 of the SFO in the register referred to therein:

Name	Capacity	Class of shares	Number of shares	% of total number of the relevant class of shares	% of total number of issued shares
Tianda Holding	Beneficial owner	Domestic shares	408,000,000 (L)	80%	50.27%
	Interests in controlled corporation (Note 2)	Domestic shares	102,000,000 (L)	20%	12.57%
	Interests in controlled corporation (Note 2)	H shares	20,000,000 (L)	6.63%	2.46%
Tianda Investment	Beneficial owner	Domestic shares	102,000,000 (L)	20%	12.57%
Ye Shi Qu (Note 2)	Interests in controlled corporation	Domestic shares	510,000,000 (L)	100%	62.84%
	Interests in controlled corporation	H shares	20,000,000 (L)	6.63%	2.46%
Hillhouse Capital Management, Ltd.	Person having a security interest in shares	H shares	40,061,000 (L)	13.28%	4.94%
Deutsche Bank Aktiengesellschaft	Interests in controlled corporation	H shares	27,281,863 (L) 11,000 (S)	9.04% 0%	3.36% 0%
China Credit Trust Co., Ltd.	Interests in controlled corporation	H shares	27,134,000 (L)	9.00%	3.34%
Templeton Asset Management Ltd.	Interests in controlled corporation	H shares	21,461,000 (L)	7.12%	2.64%
JPMorgan Chase & Co.	Interests in controlled corporation	H shares	15,362,000 (L)	5.09%	1.89%

Note 1: "L" refers to the long position in the shares in the Company held by such person/entity. "S" refers to the short 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 20,000,000 H shares held by Tiancheng Changyun.

(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 2009, save for 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 2009, 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 2009 in the register required to be kept by the Company under section 336 of the SFO.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the continuing connected transactions during the year are included in note 31 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 2009, 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 15 April 2009, the relevant amendments to the Articles of Association of the Company as a result of the issue of shares upon exercise of the general mandate were considered and approved.

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 35 of the Notes to the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not purchased or redeemed any of its listed securities during the year ended 31 December 2009.

AUDITORS

The financial statements for the year ended 31 December 2009 prepared under the IFRS have been audited by Ernst & Young. The Audit Committee 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 2010.

By Order of the Board
Ye Shi Qu
Chairman

Anhui, the PRC, 30 March 2010

REPORT OF THE SUPERVISORS

In 2009, in accordance with the relevant provisions of the Company Law of the PRC (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 2009. On behalf of the Supervisory Committee, I hereby present our report for 2009:

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 2009, 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 2009 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

In December 2009, the Company issued H Shares to raise funds. The Supervisory Committee is of the view that, in 2009, the use of proceeds by the Company was in line with the details set out in the announcement dated 4 December 2009.

4. CONNECTED TRANSACTIONS

The Supervisory Committee is of the view that the connected transactions of the Company for 2009 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

30 March 2010

INDEPENDENT AUDITORS' REPORT

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") and its subsidiary (the "Group"), which comprise the consolidated and company statements of financial position as at 31 December 2009 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 and the Group as at 31 December 2009 and of the Group'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

30 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	**2009 RMB'000**	2008 RMB'000
REVENUE	5	**1,936,743**	2,636,580
Cost of sales		**(1,667,676)**	(2,119,886)
Gross profit		**269,067**	516,694
Other income and gains	6	**60,165**	11,672
Selling and distribution costs		**(67,431)**	(89,177)
Administrative expenses		**(22,844)**	(41,070)
Other expenses	6	**(1,972)**	(7,467)
Finance costs	7	**(1,391)**	(13,276)
PROFIT BEFORE TAX	8	**235,594**	377,376
Income tax expense	11	**(35,905)**	(75,156)
PROFIT FOR THE YEAR		**199,689**	302,220
OTHER COMPREHENSIVE INCOME			
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**199,689**	302,220
Profit attributable to:			
Owners of the parent		**199,689**	302,220
Total comprehensive income attributable to:			
Owners of the parent		**199,689**	302,220
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic, for profit for the year	14	**RMB0.26**	RMB0.40

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

The accompanying notes on pages 39 to 88 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	**2009 RMB'000**	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**1,247,469**	742,493
Prepaid land premiums	17	**28,623**	29,276
Deferred tax assets	11	**431**	1,341
Total non-current assets		**1,276,523**	773,110
CURRENT ASSETS			
Inventories	19	**368,661**	287,124
Trade and notes receivables	20	**187,946**	108,900
Prepayments, deposits and other receivables	21	**1,201,286**	337,492
Cash and cash equivalents	22	**384,217**	247,114
Total current assets		**2,142,110**	980,630
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	23	**21,522**	20,000
Trade and notes payables	24	**1,064,588**	176,803
Tax payable	11	**34,995**	72,347
Other payables and accruals	25	**110,006**	178,548
Total current liabilities		**1,231,111**	447,698
NET CURRENT ASSETS		**910,999**	532,932
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,187,522**	1,306,042
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	23	**626,214**	48,693
Total non-current liabilities		**626,214**	48,693
NET ASSETS		**1,561,308**	1,257,349
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Issued capital	26	**405,813**	380,678
Reserves	27	**1,114,914**	808,149
Proposed final dividends	12	**40,581**	68,522
TOTAL EQUITY		**1,561,308**	1,257,349

Ye Shi Qu
Director

Zhang Hu Ming
Director

The accompanying notes on pages 39 to 88 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the parent						
	Issued capital RMB'000 (Note 26)	**Share premium account** RMB'000 (Note 26)	**Statutory surplus reserve** RMB'000 (Note 27)	**General surplus reserve** RMB'000	**Proposed Retained profits** RMB'000 (Note 27)	**final dividends** RMB'000 (Note 12)	**Total** RMB'000
At 1 January 2008	253,785	380,457	47,249	6,634	267,004	40,606	995,735
Total comprehensive income for the year	–	–	–	–	302,220	–	302,220
Share premium transferred 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 dividends declared	–	–	–	–	–	(40,606)	(40,606)
Proposed final 2008 dividends	–	–	–	–	(68,522)	68,522	–
At 31 December 2008 and 1 January 2009	380,678	299,652	64,300	–	444,197	68,522	1,257,349
Total comprehensive income for the year	–	–	–	–	199,689	–	199,689
Issue of shares	25,135	147,657	–	–	–	–	172,792
Appropriation of statutory surplus reserve	–	–	19,969	–	(19,969)	–	–
Final 2008 dividends declared	–	–	–	–	–	(68,522)	(68,522)
Proposed final 2009 dividends	–	–	–	–	(40,581)	40,581	–
At 31 December 2009	405,813	447,309	84,269	–	583,336	40,581	1,561,308

The accompanying notes on pages 39 to 88 form an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**235,594**	377,376
Adjustments to reconcile profit before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	8	**43,126**	38,210
Amortisation of prepaid land premiums	8	**653**	653
Write-down/(reversal) of inventories to net realisable value	8	**(2,490)**	4,165
Loss on disposal of property, plant and equipment	6	**–**	1,580
Finance costs	7	**1,482**	11,751
Interest income	6	**(16,722)**	(8,537)
Working capital adjustments:			
Decrease/(increase) in inventories		**(79,047)**	80,602
Increase in trade and notes receivables		**(79,046)**	(43,146)
Increase in prepayments, deposits and other receivables		**(658,717)**	(187,806)
Increase in trade and notes payables		**685,657**	93,697
Increase/(decrease) in other payables and accruals		**(57,411)**	9,150
Cash generated from operations		**73,079**	377,695
Income tax paid	11	**(72,347)**	(44,127)
Net cash flows from operating activities		**732**	333,568

The accompanying notes on pages 39 to 88 form an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**13,773**	11,084
Purchases of property, plant and equipment		**(559,191)**	(322,904)
Investment on deposits with original maturity of over three months		**(219,812)**	(100,000)
Cash collected from matured deposits with original maturity of over three months		**217,512**	230,000
Net cash flows used in investing activities		**(547,718)**	(181,820)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**172,792**	–
Proceeds from interest-bearing loans and borrowings		**764,135**	412,821
Repayment of interest-bearing loans and borrowings		**(185,092)**	(428,715)
Interest paid		**(1,524)**	(10,841)
Dividends paid	12	**(68,522)**	(40,606)
Net cash flows from/(used in) financing activities		**681,789**	(67,341)
Net increase in cash and cash equivalents		**134,803**	84,407
Cash and cash equivalents at beginning of year		**247,114**	162,707
Cash and cash equivalents at end of year		**381,917**	247,114
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**384,217**	247,114
Cash and cash equivalents as stated in the statement of financial position		**384,217**	247,114
Time deposits with original maturity of over three months when acquired	22	**(2,300)**	–
Cash and cash equivalents as stated in the statement of cash flows		**381,917**	247,114

The accompanying notes on pages 39 to 88 form an integral part of the financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**1,247,469**	742,493
Prepaid land premiums	17	**28,623**	29,276
Deferred tax assets	11	**431**	1,341
Investment in a subsidiary	18	**3,551**	–
Total non-current assets		**1,280,074**	773,110
CURRENT ASSETS			
Inventories	19	**368,661**	287,124
Trade and notes receivables	20	**187,946**	108,900
Prepayments, deposits and other receivables	21	**1,201,360**	337,492
Cash and cash equivalents	22	**380,612**	247,114
Total current assets		**2,138,579**	980,630
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	23	**21,522**	20,000
Trade and notes payables	24	**1,064,588**	176,803
Tax payable	11	**34,995**	72,347
Other payables and accruals	25	**110,006**	178,548
Total current liabilities		**1,231,111**	447,698
NET CURRENT ASSETS		**907,468**	532,932
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,187,542**	1,306,042
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	23	**626,214**	48,693
Total non-current liabilities		**626,214**	48,693
NET ASSETS		**1,561,328**	1,257,349
EQUITY			
Issued capital	26	**405,813**	380,678
Reserves	27	**1,114,934**	808,149
Proposed final dividends	12	**40,581**	68,522
TOTAL EQUITY		**1,561,328**	1,257,349

Ye Shi Qu
Director

Zhang Hu Ming
Director

The accompanying notes on pages 39 to 88 form an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

1. CORPORATE INFORMATION

Anhui Tianda Oil Pipe Company Limited (the "**Company**"), was established as a limited liability company by Anhui Tianda Enterprise (Group) Company Limited ("**Tianda Holding**") on 23 June 2004 in the People's Republic of China (the "**PRC**"). On 13 April 2006, the Company was re-registered as a joint stock company with limited liability.

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

The Company withdrew its listing from the GEM of 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 2009, and therefore is the substantive shareholder of the Company.

The Company and its subsidiary (the "**Group**") 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 consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") , which comprise standards and interpretations approved by the International Accounting Standards Board ("**IASB**"), and International Financial Reporting Interpretations Committee ("**IFRIC**") interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance.

The Company maintains its books and prepares its statutory financial statements in accordance with the relevant accounting principles and financial regulations promulgated by the Ministry of Finance of the 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.

2.1 BASIS OF PREPARATION (Continued)

Statement of compliance (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary for the year ended 31 December 2009. The results of subsidiary is consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

The Group has adopted the following new and revised IFRSs for the first time 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 and revised IFRSs has had no significant effect on 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 7 Amendments	Amendments to IFRS 7 *Financial Instruments*: *Disclosures – Improving Disclosures about Financial Instruments*
IFRS 8	*Operating Segments*
IAS 1 (Revised)	*Presentation of Financial Statements*
IAS 23 (Revised)	*Borrowing Costs*
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*
IFRIC 9 and IAS 39 Amendments	Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
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 18	*Transfer of Assets from Customers*
Improvements to IFRSs (May 2008)	*Amendments to a number of IFRSs*

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

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

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*
IFRS1 Amendment allows an entity to determine the "cost" of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost.

IAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in profit or loss in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Group to consider whether there is an indicator of impairment. The amendment is applied prospectively. As the Group is not a first-time adopter of IFRSs, the IFRS 1 Amendment is not applicable to the Group.

Amendments to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
IFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. As the Group has not entered into share-based payment schemes with non-vesting conditions attached, the amendments have had no impact on the financial position or result of operations of the Group.

Amendments to IFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
IFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 33 to the financial statements while the revised liquidity risk disclosures are presented in note 34 to the financial statements.

IFRS 8 *Operating Segments*
IFRS 8, which replaces IAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. For management purpose, the operating activities of the Group belong to a same operating segment, which is mainly engaged in the design, manufacture and sale of specialised seamless pipes. Therefore, no analysis on operating segments is presented upon adoption of IFRS 8 as of 1 January 2009. The disclosure of information about the geographical areas in which the Group operates and the revenue from the Group's major customers are shown in note 4 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

IAS 1 (Revised) *Presentation of Financial Statements*

IAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

IAS 23 (Revised) *Borrowing Costs*

IAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard has had no impact on the financial position or results of operations of the Group. During the year, borrowing costs of RMB20,538,000 have been capitalised on qualifying assets included in construction in progress as shown in note 7 to the financial statements.

Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

IAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. IAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments have had no impact on the financial position or results of operations of the Group.

Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*

The amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 has been revised to state that if an embedded derivative cannot be separately measured, the entire hybrid instrument must remain classified as fair value through profit or loss in its entirety. The adoption of the amendments has had no impact on the financial position or results of operations of the Group.

IFRIC 13 *Customer Loyalty Programmes*

IFRIC 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the interpretation has had no impact on the financial position or results of operations of the Group.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

IFRIC 15 *Agreements for the Construction of Real Estate*
IFRIC 15 clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with IAS 11 Construction Contracts or an agreement for the sale of goods or services in accordance with IAS 18 *Revenue*. As the Group currently is not involved in any construction of real estate, the interpretation has had no impact on the financial position or results of operations of the Group.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
IFRIC 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to profit or loss as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation has had no impact on the financial position or results of operations of the Group.

IFRIC 18 *Transfer of Assets from Customers*
IFRIC 18 provides guidance on accounting by recipients that receive from customers items of property, plant and equipment or cash for the acquisition or construction of such items, provided that these assets must then be used to connect customers to networks or to provide ongoing access to a supply of goods or services, or both. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

In May 2008, the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. Except for the amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which is effective for annual periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact to the Group. Details of the key amendments most applicable to the Group are as follows:

- IFRS 7 *Financial Instruments: Disclosures:* Removes the reference to "total interest income" as a component of finance costs.

- IAS 1 *Presentation of Financial Statements:* Clarifies that assets and liabilities which are classified as held for trading in accordance with IAS 39 are not automatically classified as current in the statement of financial position.

- IAS 10 *Events after the Reporting Period:* Clarifies that dividends declared after the end of the reporting period are not obligations.

- IAS 16 *Property, Plant and Equipment:* Replaces the term "net selling price" with "fair value less costs to sell" and the recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

In addition, items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventories when rental ceases and they are held for sale.

- IAS 18 *Revenue:* Replaces the term "direct cost" with "transaction costs" as defined in IAS 39.

- IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance:* Revises various terms used to be consistent with other IFRSs.

- IAS 23 *Borrowing Costs:* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.

- IAS 36 *Impairment of Assets:* When discounted cash flows are used to estimate "fair value less costs to sell", additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use".

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS

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

IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards[1]
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*[2]
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[2]
IFRS 3 (Revised)	*Business Combinations*[1]
IFRS 9	*Financial Instruments*[6]
IAS 24 (Revised)	*Related Party Disclosures*[5]
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation Classification of Rights Issues*[3]
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
IFRIC 14 Amendment	Amendments to IFRIC 14 Prepayments of a *Minimum Funding Requirement*[5]
IFRIC 17	*Distribution of Non-cash Assets to Owners*[1]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to IFRS 5 included in Improvements to IFRSs issued in May 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*[1]

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS (Continued)

Apart from the above, Improvements to IFRSs 2009 has been issued which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiary are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiary are stated at cost less any impairment losses.

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 profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period 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 profit or loss 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 Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is a member of the key management personnel of the Group 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 items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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:

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 financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss 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 equipment 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 funds 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group 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.

Group as a lessee

Operating lease payments are recognised as an expense in profit or loss 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

Initial recognition and measurement

Financial assets within 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, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group 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.

The Group's financial assets include cash and bank balances and trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in profit or loss.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "finance income" in profit or loss. The loss arising from impairment is recognised in "other expenses" in profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "finance income" in the profit or loss. The loss arising from impairment is recognised in "other expenses" in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised , at which time the cumulative gain or loss is recognised in “other income” in profit or loss, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in “other expenses” in profit or loss and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

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.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management’s intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (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 when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its right to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement;
- and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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 Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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 Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

If there is objective evidence that an impairment loss 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

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, 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 investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

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 profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgment. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings 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. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "finance costs" in profit or loss.

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 profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate 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.

Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts to hedge foreign currency risk. 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 of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income

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.

Cash and cash equivalents

For the purpose of the statement of cash flows, 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.

For the purpose of the statement of financial position, 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 end of the reporting period 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 profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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.

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 the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred 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, the fair value is credited to a deferred income account and is released to profit or loss 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 Group 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 Group 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 or sale. Investment income earned at the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, 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 currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective 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 end of the reporting period. All differences are taken to profit or loss. 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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the overseas subsidiary is currency other than RMB. As at the end of the reporting period, the assets and liabilities of the entity are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated included in the exchange fluctuation reserve. On disposal of a foreign operation entity, the component of other comprehensive income equity relating to that particular foreign operation is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiary are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiary which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Retirement benefits

Obligatory retirement benefits in the form of contributions under a defined contribution retirement scheme administered by local government agencies are charged to profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires the directors of the Company 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 end of the reporting period. 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.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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 Group 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.

Estimated write-downs of inventories to net realisable value

The Group 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.

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

Estimation uncertainty (Continued)

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 2009 was RMB431,000 (2008: RMB1,341,000). Further details are contained in note 11 to the financial statements.

4. OPERATING SEGMENT INFORMATION

Geographical information

(a) Revenue from external customers

	2009 RMB'000	2008 RMB'000
Mainland China	**1,295,428**	1,529,230
United States of America	**65,248**	327,027
Other countries	**576,067**	780,323
	1,936,743	2,636,580

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

(b) Non-current assets

	2009 RMB'000	2008 RMB'000
Mainland China	**1,276,092**	771,769
Other countries	**–**	–
	1,276,092	771,769

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

Information about major customers

Revenue from continuing operations of approximately RMB231,868,000 (2008: Nil) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of value-added tax, after allowances for returns, trade discounts and various types of government surcharges where applicable during the year.

	2009 RMB'000	2008 RMB'000
Sale of goods	**1,942,555**	2,644,154
Less: Government surcharges	**(5,812)**	(7,574)
Revenue	**1,936,743**	2,636,580

6. OTHER INCOME AND GAINS AND EXPENSES

	2009 RMB'000	2008 RMB'000
Other income and gains		
Bank interest income	**16,722**	8,537
Government grants	**24,433**	2,585
Investment income from derivative instruments transaction not qualifying as hedges	**11,198**	–
Flood insurance indemnity	**7,733**	–
Others	**79**	550
	60,165	11,672

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

	2009 RMB'000	2008 RMB'000
Other expenses		
Bank charges	**1,932**	1,640
Rescue loss from flood	**–**	4,067
Loss on disposal of property, plant and equipment	**–**	1,580
Others	**40**	180
	1,972	7,467

7. FINANCE COSTS

	2009 **RMB'000**	2008 RMB'000
Bank loan interest	**22,020**	12,170
Less: interest capitalised	**(20,538)**	(1,419)
	1,482	10,751
Foreign exchange losses/(gains)	**5,205**	(722)
Less: Foreign exchange gains/(losses) capitalised	**(5,296)**	3,247
	(91)	2,525
	1,391	13,276

8. PROFIT BEFORE TAX

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

	Notes	**2009** **RMB'000**	2008 RMB'000
Cost of inventories sold		**1,667,676**	2,119,886
Depreciation	16	**43,126**	38,210
Amortisation of prepaid land premiums	17	**653**	653
Write-down/(reversal) of inventories to net realisable value		**(2,490)**	4,165
Research costs		**6,638**	4,890
Auditors' remuneration		**650**	3,000
Staff costs (including directors' and supervisors' remuneration as set out in note 9):			
– Salaries and other staff costs		**33,279**	35,411
– Retirement benefit contributions		**6,285**	3,122

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

Details of the remuneration of directors and supervisors during the years ended 31 December 2009 and 2008, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2009 RMB'000	2008 RMB'000
Fees	**181**	177
Other emoluments:		
– Salaries, allowances, bonuses and other benefits	**543**	548
– Retirement benefit contributions	**16**	16
	559	564
	740	741

(a) Independent non-executive directors

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

	2009 RMB'000	2008 RMB'000
Wu Chang Qi	**50**	–
Zhao Bin	**50**	50
Li Chi Chung	**16**	127
Au Kwok Yee Benjamin	**65**	–
	181	177

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

9. DIRECTORS' AND SUPERVISORS' REMUNERATION (Continued)

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

	Salaries, allowances and benefits in kind RMB'000	Retirement benefit contribution RMB'000	Total remuneration RMB'000
2009			
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	**35**	**4**	**39**
Yong Jin Gui	**30**	**–**	**30**
Liu Jun Chang	**40**	**–**	**40**
	105	**4**	**109**

	Salaries, allowances and benefits in kind 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

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year ended 31 December 2009. (2008: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2008: four) directors and supervisors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2008: one) non-director or non-supervisor highest paid employee for the year are as follows:

	2009	2008
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**380**	521
Retirement benefit contributions	**–**	7
	380	528

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

	Number of employee	
	2009	2008
Nil to HK$1,000,000	**1**	1

11. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year ended 31 December 2009 (2008: Nil).

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

The Company was recognized as one of the Anhui Province New and High Technical Enterprises by the Science & Technology Department of Anhui Province, Finance Department of Anhui Province, Anhui Provincial Office, State Administration of Taxation and Anhui Local Taxation Bureau in November 2009. Pursuant to the approvals from the Tianchang City Local Taxation Bureau, the Company can be entitled to a concessionary tax rate of 15% for the three years, starting from 1 January 2009.

The major components of income tax expense for the years ended 31 December 2009 and 2008 are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Current – Mainland China		
Charge for the year	**34,995**	76,747
Current – Elsewhere	**–**	–
Deferred		
Relating to origination/(reversal) of temporary differences	**910**	(1,591)
Total tax charge for the year	**35,905**	75,156

11. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and its subsidiary are domiciled to the tax expense at the effective tax rate as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Profit before income tax	**235,594**	377,376
Tax at the applicable tax rate of 15% (2008: 25%)	**35,339**	94,344
Investment tax credits in respect of purchases of domestically-produced property, plant and equipment	**–**	(18,133)
Expenses not deductible for tax	**566**	1,028
Additional tax benefits on research and development costs	**–**	(2,083)
Tax charge at the Group's effective rate	**35,905**	75,156
Effective tax rate	**15.24%**	19.92%

The movements in income tax payable during the years ended 31 December 2009 and 2008 are as follows:

	Group and Company	
	2009	2008
	RMB'000	RMB'000
At beginning of year	**72,347**	39,727
Provision for the year	**34,995**	76,747
Payment during the year	**(72,347)**	(44,127)
At end of year	**34,995**	72,347

11. INCOME TAX (Continued)

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 2009 and 2008 are as follows:

	Group and Company	
	2009	2008
	RMB'000	RMB'000
At beginning of year	**1,341**	–
Deferred tax assets credited/(charged) to the profit or loss during the year	**(910)**	1,341
At end of year	**431**	1,341

The movements in deferred tax liabilities arising from the revaluation of forward currency contracts to fair value during the years ended 31 December 2009 and 2008 are as follows:

	Group and Company	
	2009	2008
	RMB'000	RMB'000
At beginning of year	**–**	250
Deferred tax liabilities credited to the profit or loss during the year	**–**	(250)
At end of year	**–**	–

12. DIVIDENDS

	2009	2008
	RMB'000	RMB'000
Proposed final dividends – RMB5 cents (2008: RMB9 cents) per ordinary share	**40,581**	68,522

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

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to the owners of the parent for the year ended 31 December 2009 includes a profit of RMB199,748,000 (2008: RMB302,220,000) which has been dealt with in the financial statement of the Company.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the net profit for the year attributable to the ordinary equity holders of the parent, and the weighted average number of shares (including Domestic Shares and H Shares) of 764,247,000 in issue during the year (2008: 761,355,000).

The Group had no potentially dilutive ordinary shares in issue during the two years.

15. 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 Group is required to make contributions to the local social insurance bureau at a rate of 20% of the average basic salaries for the employees of the Group in mainland China. The Company has no obligations for the payment of pension benefits beyond the annual contributions to the local social insurance bureau as set out above.

16. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
As at 1 January 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 and 1 January 2009	129,796	376,226	1,808	28,371	318,544	854,745
Additions	1,536	12,485	–	827	533,254	548,102
Transferred from construction in progress	10,473	3,787	–	59	(14,319)	–
As at 31 December 2009	141,805	392,498	1,808	29,257	837,479	1,402,847
Accumulated depreciation:						
As at 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 and 1 January 2009	11,581	94,597	263	5,811	–	112,252
Charge for the year	3,613	36,290	172	3,051	–	43,126
As at 31 December 2009	15,194	130,887	435	8,862	–	155,378
Net book value:						
As at 31 December 2009	126,611	261,611	1,373	20,395	837,479	1,247,469
As at 31 December 2008	118,215	281,629	1,545	22,560	318,544	742,493

All buildings of the Group are located in Mainland China.

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Capitalised borrowing costs

The Group started construction of the new production line of 300,000-tonnes high-grade oil well pipes (the "861 Action Plan Phase II Project") in 2007. The 861 Action Plan Phase II Project is expected to be completed in January 2010. The carrying amount of the 861 Action Plan Phase II Project at 31 December 2009 was RMB738,304,000 (31 December 2008: RMB268,379,000), which is financed by the Group's own funds and bank loans.

The amount of borrowing costs capitalised during the year ended 31 December 2009 was RMB25,834,000. The rates used to determine the amount of borrowing costs eligible for capitalisation ranged from 3.55% to 8.36%, which are the effective interest rates of each specific borrowing for the purchases of machinery and equipment.

17. PREPAID LAND PREMIUMS

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Cost:		
At beginning and end of year	**31,573**	31,573
Accumulated amortisation:		
At beginning of year	**2,297**	1,644
Charge for the year	**653**	653
At end of year	**2,950**	2,297
Net book value at end of year	**28,623**	29,276

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

18. INVESTMENT IN A SUBSIDIARY

	Company	
	2009	2008
	RMB'000	RMB'000
Unlisted shares, at cost	**3,551**	–

18. INVESTMENTS IN A SUBSIDIARY (Continued)

Particulars of the subsidiary are as follows:

Company Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
New Tiancheng International Company Pte. Ltd. (新天成國際有限公司)	Singapore	US$520,000	100	–	Investment holding

The amount due from the subsidiary included in the Company's current assets of RMB74,000 (31 December 2008: Nil) is unsecured, interest-free and repayable on demand.

19. INVENTORIES

	Group and Company 2009 RMB'000	2008 RMB'000
Raw materials	**141,796**	92,152
Work in progress, at cost	**15,568**	21,415
Finished goods and merchandises	**211,297**	173,557
	368,661	287,124

Included in inventories as at 31 December 2009 were certain raw materials and finished goods carried at a net realisable value of RMB20,035,000 (31 December 2008: RMB23,882,000).

20. TRADE AND NOTES RECEIVABLES

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Notes receivable from domestic third parties	**32,183**	27,735
Trade receivables from overseas third parties	**112,651**	53,083
Trade receivables from domestic third parties	**43,471**	28,441
	156,122	81,524
Impairment	**(359)**	(359)
	187,946	108,900

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 Group delivers goods to them. However, the Group's trading terms with its overseas customers and certain major domestic customers are on credit. The credit period is generally 1 to 45 days extending up to 100 days for certain strategic customers. The Group enters into sales with overseas customers through irrevocable letters of credits. Each domestic customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are unsecured and interest-free.

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

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Outstanding balances with ages:		
Within one year	**155,772**	81,177
Between one and two years	**8**	7
Between two and three years	**6**	86
Over three years	**336**	254
	156,122	81,524

20. TRADE AND NOTES RECEIVABLES

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

	Group and Company	
	2009	2008
	RMB'000	RMB'000
At 1 January	**359**	459
Amount written off as uncollectible	**–**	(100)
	359	359

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB359,000 (31 December 2008: RMB359,000) with a carrying amount before provision of RMB359,000 (31 December 2008: RMB359,000). The individually impaired trade receivables relate to customers that were in default for a long time. The Group 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:

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Neither past due nor impaired	**155,763**	81,165

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

As at 31 December 2009, the Group had no pledged trade receivables (31 December 2008: RMB13,500,000).

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2009	2008
	RMB'000	RMB'000
Prepayments	**494,682**	158,236
Deposits and other receivables	**703,655**	179,256
Bank interest receivables	**2,949**	–
	1,201,286	337,492

	Company	
	2009	2008
	RMB'000	RMB'000
Prepayments	**494,682**	158,236
Deposits and other receivables	**703,655**	179,256
Bank interest receivables	**2,949**	–
Amount due from the subsidiary	**74**	–
	1,201,360	337,492

The Group did not write off any prepayments and other receivables for the year ended 31 December 2009 (2008: RMB100,000).

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 the Group's and the Company's deposits and other receivables were (i) the time deposits of RMB622,276,000 (31 December 2008: RMB163,369,000) pledged to the banks to secure the bank accepted drafts, the letters of credit as well as the bank loans that were recorded in notes payable as at 31 December 2009; and (ii) the net input value-added tax ("**VAT**") of RMB70,014,000 (31 December 2008: Nil) arising from the purchase of property, plant and equipment after deducting the output VAT for domestic sales.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group	
	Note	**2009** **RMB'000**	2008 RMB'000
Cash and bank balances		**73,955**	202,114
Short-term deposits with maturity of three months or less		**307,962**	45,000
Short-term deposits with maturity of over three months		**624,576**	163,369
		1,006,493	410,483
Less: pledged time deposits for bank accepted drafts, letters of credit and bank loans	21	**(622,276)**	(163,369)
Cash and cash equivalents		**384,217**	247,114

		Company	
	Note	**2009** **RMB'000**	2008 RMB'000
Cash and bank balances		**70,350**	202,114
Short-term deposits with maturity of three months or less		**307,962**	45,000
Short-term deposits with maturity of over three months		**624,576**	163,369
		1,002,888	410,483
Less: pledged time deposits for bank accepted drafts, letters of credit and bank loans	21	**(622,276)**	(163,369)
Cash and cash equivalents		**380,612**	247,114

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 Group, 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.

23. INTEREST-BEARING LOANS AND BORROWINGS

Group and Company

	2009			2008		
	Contractual interest rate(%)	**Maturity**	**RMB'000**	Contractual interest rate(%)	Maturity	RMB'000
Current:						
Bank loans – secured	**1.39**	**2010**	**21,522**	5.04	2009	20,000
Non-current:						
Bank loans –unsecured	**3.55-7.74**	**2011-2014**	**626,214**	5.76-8.36	2011-2013	48,693
			647,736			68,693

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Analysed into:		
Bank loans:		
Within one year	**21,522**	20,000
In the second year	**146,214**	–
In the third to fifth years, inclusive	**480,000**	48,693
	647,736	68,693

Except for the 1.39% bank loan of US$3,153,000 (equivalent to approximately RMB21,522,000) and 3.55% bank loan of EUR12,145,000 (equivalent to approximately RMB118,982,000), all the bank loans as at 31 December 2009 bore a variable rate.

As at 31 December 2009, Tianda Holding provided a guarantee for certain of the Group's and the Company's unsecured bank loans of approximately RMB296,214,000 (31 December 2008: approximately RMB18,693,000). In addition, the substantive shareholder, Mr. Ye Shi Qu (葉世渠) has guaranteed certain of the Group's and the Company's unsecured bank loans of RMB150,000,000 (31 December 2008: Nil) as at the end of reporting period.

As at 31 December 2009, certain of the Group's and the Company's bank loans of US$3,153,000 (equivalent to approximately RMB21,522,000) were secured by the pledge of certain of the Group's and the Company's time deposits of RMB21,492,000 (31 December 2008: Nil).

As at 31 December 2008, certain of the Group's and the Company's bank loans of RMB20,000,000 were secured by the pledge of certain of the Group's and the Company's trade receivables totalling RMB13,500,000 (31 December 2009: Nil).

Except for the bank loan of Japanese Yen ("**JPY**") 220,000,000, the bank loan of EUR12,145,000 and the bank loan of US$3,153,000, all the bank loans are in RMB.

The carrying amount of the Group's and the Company's bank loans approximates to their fair value.

24. TRADE AND NOTES PAYABLES

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Notes payable to third parties	**1,006,566**	129,299
Trade payables to third parties	**58,022**	47,504
	1,064,588	176,803

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

All 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 end of the reporting period, based on the invoice/issuance date, is as follows:

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Outstanding balances with ages:		
Within one year	**1,060,703**	174,466
Between one and two years	**2,282**	1,305
Between two and three years	**571**	412
Over three years	**1,032**	620
	1,064,588	176,803

Notes payable to third parties represents the issued bank accepted drafts, secured by the pledge of certain of the Group's and the Company's time deposits of RMB592,966,000 as at 31 December 2009 (31 December 2008: RMB129,299,000).

25. OTHER PAYABLES AND ACCRUALS

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Advances from customers	**31,683**	72,507
Payroll payables	**17,611**	17,614
Other payables	**60,712**	88,427
	110,006	178,548

Except for the net output VAT and other miscellaneous tax payable of RMB6,219,000 (31 December 2008: RMB16,892,000) included in other payables of the Group's and the Company's, all the remaining balances of other payables and accruals were unsecured, interest-free and had no fixed terms of repayment as at the end of the reporting period.

26. ISSUED CAPITAL

	2009	2008
	RMB'000	RMB'000
Shares		
Registered, issued and fully paid:		
Domestic shares of RMB0.50 each, currently not listed	**255,000**	255,000
H shares of RMB0.50 each	**150,813**	125,678
	405,813	380,678

The Company was re-registered as a joint stock company on 13 April 2006 by the issuance of 170,000,000 fully paid Domestic Shares with a nominal value of RMB1.00 each to the then shareholders.

On 7 September 2006, the China Securities Regulatory Commission (the "**CSRC**") approved the Company's subdivision of one Domestic Share of a nominal value of RMB1.00 into two Domestic Shares of RMB0.50 each.

Pursuant to the approval document issued by the CSRC, Zheng Jian Guo He Zi [2006] No.17, the Company was authorised to issue new H shares. On 1 December 2006, 145,714,000 H shares with a nominal value of RMB0.50 each were issued to the public by way of international offering at a price of HK$3.00 (equivalent to approximately RMB3.02145) per share. On 7 December 2006, 21,856,000 H shares under 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.

26. ISSUED CAPITAL (Continued)

On 23 May 2008, the Company issued and allotted bonus shares to each shareholder, whose names were 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.

On 11 December 2009, a total of 50,271,000 new H Shares were placed at a price of HK$4.00 per share. The net proceeds from the above share offer, after deducting the related underwriting and other expenses, were approximately RMB172,793,000.

A summary of the transactions during the years ended 31 December 2009 and 2008 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 2008	507,570	253,785	380,457	634,242
Share premium transferred 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
Share issue	50,271	25,135	147,657	172,792
At 31 December 2009	811,626	405,813	447,309	853,122

27. 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.

Distributable reserves

Regarding dividends, the amount the Company can legally distribute 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.

28. CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (2008: Nil).

29. PLEDGED OF ASSETS

Details of the Group's and the Company's bank loans, notes payables and obtained irrevocable letters of credits which are secured by the pledge of the Group's and the Company's time deposits, are included in note 21, 23, 24 and 30 respectively, to the financial statements.

30. COMMITMENTS

Operating lease commitments

Future minimum rentals payable to Tianda Holding under non-cancellable operating leases as at 31 December 2009 and 2008 are as follows:

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Within one year	**96**	–
After one year but not more than five years	**96**	–
	192	–

In addition to the above operating lease commitments, the Group and the Company had the following capital commitments at the end of the reporting period:

Capital commitments

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Contracted, but not provided for	**290,779**	504,716

In addition, the Group and the Company applied for certain irrevocable letters of credits with the banks as at 31 December 2009, with aggregated amounts of EUR3,259,000 and US$ 394,000, respectively (equivalent to approximately RMB34,622,000 in total) (31 December 2008: EUR17,819,830, JPY210,000,000 and US$3,546,000, respectively, equivalent to approximately RMB212,244,000 in total). The Group and the Company only pledged time deposits of RMB7,818,000 to secure certain of the above letters of credit with an amount of EUR1,494,000 (2008: time deposits of RMB34,070,000 to secure certain of the letters of credits with an amount of EUR3,735,000). The above irrevocable letters of credits will be due in the period from 31 March 2010 to 30 June 2010.

31. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
		2009	2008
		RMB'000	RMB'000
(i)	Sales of seamless pipes to fellow subsidiary (note i)	**–**	1
(ii)	Purchases of water from Tianda Holding (note ii)	**439**	409
(iii)	Lease of a dormitory from Tianda Holding (note iii)	**96**	96
(iv)	Entrusted loan from Tianda Holding (note iv)	**–**	98,900

Notes:

(i) These transactions were carried out based on costs incurred, as agreed between the Group and the fellow subsidiary.

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

(iii) Pursuant to the dormitory lease agreement entered into with Tianda Holding, the Group paid an annual rent of RMB96,200 for the years from 1 January 2009 to 31 December 2011.

(iv) 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 Group's purchase of raw materials. The Group repaid all the above loans in July and August 2008, respectively.

31. RELATED PARTY TRANSACTIONS (Continued)

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

	Group	
	2009	2008
	RMB'000	RMB'000
Short-term employee benefits	**434**	1,230
Retirement benefit contributions	**26**	41
	460	1,271

Further details of directors' emoluments are included in note 9 to the financial statements.

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

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of the reporting period are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Financial assets		
Loans and receivables:		
Cash and cash equivalents	**384,217**	247,114
Bank interest receivables	**2,949**	–
Trade and notes receivables	**187,946**	108,900
Pledged deposits	**622,276**	163,369
Other financial assets included in prepayments, deposits and other receivables	**11,364**	15,887
	1,208,752	535,270

32. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Group	
	2009	2008
	RMB'000	RMB'000
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and notes payables	**(1,064,588)**	(176,803)
Interest-bearing loans and borrowings:		
– Floating rate borrowings	**(626,214)**	(68,693)
– Fixed rate borrowings	**(21,522)**	–
Financial liabilities included in other payables and accruals	**(37,922)**	(46,122)
	(1,750,246)	(291,618)

The carrying amounts of each of the categories of financial instruments of the Company as at the end of the reporting period are as follows:

	Company	
	2009	2008
	RMB'000	RMB'000
Financial assets		
Loans and receivables:		
Cash and cash equivalents	**380,612**	247,114
Bank interest receivables	**2,949**	–
Trade and notes receivables	**187,946**	108,900
Pledged deposits	**622,276**	163,369
Other financial assets included in prepayments, deposits and other receivables	**11,438**	15,887
	1,205,221	535,270
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and notes payables	**(1,064,588)**	(176,803)
Interest-bearing loans and borrowings:		
– Floating rate borrowings	**(626,214)**	(68,693)
– Fixed rate borrowings	**(21,522)**	–
Financial liabilities included in other payables and accruals	**(37,922)**	(46,122)
	(1,750,246)	(291,618)

33. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2009, the Group and the Company did not hold any financial instruments measured at fair value.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments 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 Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables as well as trade and notes payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group'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 Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

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

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

	Group and Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) on profit before tax RMB'000
2009		
RMB	**+50**	**(2,455)**
RMB	**-50**	**2,455**
EUR	**+50**	**(595)**
EUR	**-50**	**595**
JPY	**+50**	**(81)**
JPY	**-50**	**81**
US$	**+50**	**(108)**
US$	**-50**	**108**
2008		
RMB	+50	(330)
RMB	-50	330
EUR	+50	–
EUR	-50	–
JPY	+50	–
JPY	-50	–
US$	+50	(13)
US$	-50	13

34. 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 Group does not have any significant investment out of Mainland China. However, the Group has transaction currency exposures. Such exposure arises from sales in currencies other than the Group's functional currency. Approximately 33% of the Group's sales for the year ended 31 December 2009 (2008: 42%) are denominated in currencies other than the functional currency of the Group. Upon receipt of currency other than the functional currency, the Group sells them to the banks immediately.

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's and the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

	Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) on profit before tax RMB'000
US$		
2009	**+5%**	**3,145**
	-5%	**(3,145)**
2008	+5%	7,620
	-5%	(7,620)
EUR		
2009	**+5%**	**(7,280)**
	-5%	**7,280**
2008	+5%	920
	-5%	(920)
HK$		
2009	**+5%**	**1**
	-5%	**(1)**
2008	+5%	1
	-5%	(1)
JPY		
2009	**+5%**	**(731)**
	-5%	**731**
2008	+5%	–
	-5%	–
SGD		
2009	**+5%**	**2**
	-5%	**(2)**
2008	+5%	–
	-5%	–

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

	Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) on profit before tax RMB'000
US$		
2009	**+5%**	**2,965**
	-5%	**(2,965)**
2008	+5%	7,620
	-5%	(7,620)
EUR		
2009	**+5%**	**(7,280)**
	-5%	**7,280**
2008	+5%	920
	-5%	(920)
HK$		
2009	**+5%**	**1**
	-5%	**(1)**
2008	+5%	1
	-5%	(1)
JPY		
2009	**+5%**	**(731)**
	-5%	**731**
2008	+5%	–
	-5%	–
SGD		
2009	**+5%**	**2**
	-5%	**(2)**
2008	+5%	–
	-5%	–

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group'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 extending up to 100 days for certain strategic customers 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 Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group 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 Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Liquidity risk

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

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Group and Company

	2009					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing loans and borrowings	–	8,015	45,870	691,720	–	745,605
Trade and notes payables	58,022	339,848	666,718	–	–	1,064,588
Financial liabilities included in other payables and accruals	37,922	–	–	–	–	37,922
	95,944	347,863	712,588	691,720	–	1,848,115

	2008					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing loans and borrowings	–	20,913	2,603	58,649	–	82,165
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	62,486	90,329	58,649	–	305,090

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group 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 2009 and 2008.

The Group 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 owners of the parent. The gearing ratios as at the end of the reporting period were as follows:

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

	Group	
	2009	2008
	RMB'000	RMB'000
Interest-bearing loans and borrowings	**647,736**	68,693
Trade and notes payables	**1,064,588**	176,803
Other payables and accruals	**110,006**	178,548
Less: Cash and cash equivalents	**(384,217)**	(247,114)
Net debt	**1,438,113**	176,930
Equity	**1,561,308**	1,257,349
Capital and net debt	**2,999,421**	1,434,279
Gearing ratio	**48%**	12%

35. EVENTS AFTER THE REPORTING PERIOD

(1) The construction of the Group's new production line of the 861 Action Plan Phase II Project stated in note 16 to the financial statements was successfully completed in January 2010 and put into use in March 2010 after a two-month trial run.

(2) Pursuant to a resolution of the board of directors on 30 March 2010, the directors recommend the payment of a final cash dividend of RMB0.05 per share (inclusive of tax).

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 30 March 2010.