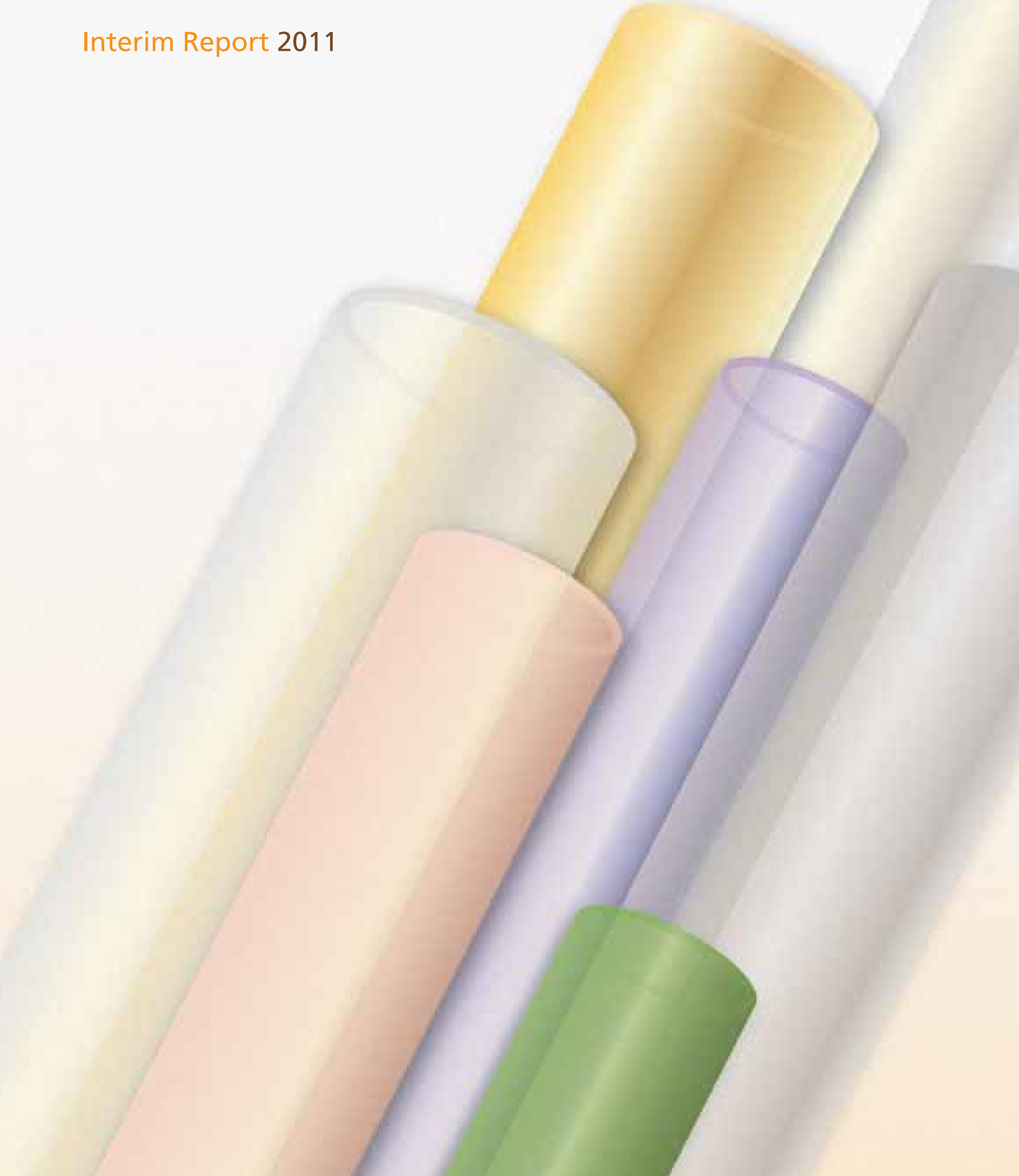
Anhui Tianda Oil Pipe Company Limited
安徽天大石油管材股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code : 839)

Interim Report 2011



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UNAUDITED KEY OPERATIONAL DATA

	For the six months ended 30 June		
Key operational indicators	2011 (tonnes)	2010 (tonnes)	Changes (%)
Volume of self-produced products sold	413,830	261,670	58.1%
Volume of sourcing & distribution products sold	8,000	14,590	-45.2%
Total sales volume	**421,830**	**276,260**	**52.7%**
Comprising: Export sales	125,000	106,513	17.4%
Total production volume	**414,810**	**290,200**	**42.9%**

COMBINED CONSOLIDATED INCOME STATEMENT

The board of directors (the "**Board**") of Anhui Tianda Oil Pipe Company Limited ("the **Company**") together with its subsidiaries collectively (the "**Group**") is pleased to present its unaudited results for the six months ended 30 June 2011 together with unaudited comparative figures for the six months ended 30 June 2010:

	Notes	For the six months ended 30 June 2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Revenue	2	**2,363,428**	1,433,550
Cost of sales		**(2,155,697)**	(1,273,616)
Gross profit		**207,731**	159,934
Other income and revenue		**4,689**	25,953
Selling and distribution costs		**(67,216)**	(37,938)
Administrative expenses		**(31,419)**	(43,613)
Other expenses		**(1,827)**	(1,409)
Finance costs		**(20,772)**	(11,974)
Profit before tax	3	**91,186**	90,953
Taxation	4	**(35,717)**	(13,643)
Profit for the period		**55,469**	77,310
Dividends	5	**31,236**	40,581
Other comprehensive income			
Other comprehensive income for the period, net of tax		**–**	–
Total comprehensive income for the period, net of tax		**55,469**	77,310
Earnings attributable to the owners of the Company		**55,469**	77,310
Total comprehensive income attributable to the holders of the parent company		**55,469**	77,310
Earnings per share attributable to ordinary equity holders of the parent company			
Basic, earnings for the period (RMB)	6	**0.061**	0.095

COMBINED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2011 (Unaudited) RMB'000	As at 31 December 2010 (Audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,452,900**	1,457,468
Prepaid land premiums		**27,643**	27,970
Deferred tax assets		**244**	146
		1,480,787	1,485,584
Current assets			
Inventories		**959,913**	615,156
Trade and notes receivables	7	**418,940**	328,937
Prepayments, deposits and other receivables	8	**698,109**	697,394
Derivative financial instruments	9	**5,500**	5,500
Cash and bank balances		**176,296**	49,382
		2,258,758	1,696,369
Current liabilities			
Interest-bearing loans and borrowings		**296,899**	144,259
Trade and notes payables	10	**654,915**	558,411
Income tax payable		**15,877**	11,176
Accruals and other payables		**458,146**	314,539
Total current liabilities		**1,425,837**	1,028,385
NET CURRENT ASSETS		**832,921**	667,984

COMBINED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2011 (Unaudited) RMB'000	As at 31 December 2010 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,313,708**	2,153,568
Non-current liabilities			
Interest-bearing loans and borrowings		**–**	517,500
Deferred tax liabilities		**1,375**	825
Total non-current liabilities		**1,375**	518,325
NET ASSETS		**2,312,333**	1,635,243
EQUITY			
Issued capital	11	**503,813**	405,813
Reserves		**1,808,520**	1,204,270
Proposed final dividend		**–**	25,160
TOTAL EQUITY		**2,312,333**	1,635,243

COMBINED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to equity holders of the Group					
	Issued capital	Share premium account	Statutory surplus reserve	Retained earnings	Proposed final dividend	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
At 1 January 2011	**405,813**	**447,309**	**95,721**	**661,240**	**25,160**	**1,635,243**
Issue of shares (Note 11)	**98,000**	**554,857**	**–**	**–**	**–**	**652,857**
Earnings for the period	**–**	**–**	**–**	**55,469**	**–**	**55,469**
Final 2010 dividend declared (Note 5)	**–**	**–**	**–**	**(6,076)**	**(25,160)**	**(31,236)**
At 30 June 2011	**503,813**	**1,002,166**	**95,721**	**710,633**	**–**	**2,312,333**
(Unaudited)						
At 1 January 2010	405,813	447,309	84,269	583,336	40,581	1,561,308
Earnings for the period	–	–	–	77,310	–	77,310
Final 2009 dividend declared (Note 5)	–	–	–	–	(40,581)	(40,581)
At 30 June 2010	405,813	447,309	84,269	660,646	–	1,598,037

CONDENSED COMBINED CASH FLOWS STATEMENT

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash flows used in operating activities	**(52,504)**	(109,337)
Net cash flows used in investing activities	**(67,758)**	(114,477)
Net cash flows from financing activities	**247,176**	45,824
Net increase/(decrease) in cash and cash equivalents	**126,914**	(177,990)
Cash and cash equivalents at beginning	**49,382**	381,917
Cash and cash equivalents at end	**176,296**	203,927

NOTES

1. Basis of Preparation

These financial statements have been prepared on a historical cost basis. These 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 financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"), and International 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 Group maintains its books and prepares its statutory financial statements in accordance with the relevant accounting principles and financial regulations promulgated by the Ministry of Finance of the People's Republic of China (the "**PRC**"). The accounting policies and bases adopted in the preparation of the statutory financial statements differ in certain respects from IFRSs. The differences arising from restating the results of operations and financial position to comply with IFRSs have been adjusted in these financial statements, but will not be taken up in the accounting records of the Group.

Changes in accounting policy and disclosures

Impact of new and amended international financial reporting standards

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations as of 1 January 2011, noted below:

NOTES

1. Basis of Preparation (continued)

Changes in accounting policy and disclosures (continued)

Impact of new and amended international financial reporting standards (continued)

IFRS 1 Amendments – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

The amendments permitted first-time adopters of IFRSs to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with IFRSs that are included in Amendments to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments, the amendments had no effect on the financial position or performance of the Group.

IAS 24 Related Party Transactions (Amendment)

The International Accounting Standards Board has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation (Amendment)

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group.

IFRIC Int 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. The Group is not subject to minimum funding requirements and the amendment to the interpretation therefore had no effect on the financial position or performance of the Group.

NOTES

1. Basis of Preparation (continued)

Changes in accounting policy and disclosures (continued)

Impact of new and amended international financial reporting standards (continued)

IFRIC Int 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with IAS 39 Financial Instruments: Recognition and Measurement and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. As the Group didn't undertake such transactions, the interpretation had no material financial impact on the Group.

Improvements to IFRSs (issued May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

IFRS 3 *Business Combinations:* The measurement options available for non-controlling interest (NCI) have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

IFRS 7 *Financial Instruments – Disclosures:* The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

NOTES

1. Basis of Preparation (continued)

Changes in accounting policy and disclosures (continued)

Impact of new and amended international financial reporting standards (continued)

Improvements to IFRSs (issued May 2010) (continued)

IAS 1 *Presentation of Financial Statements:* The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements.

IAS 34 *Interim Financial Statements:* The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

IFRS 3 *Business Combinations* – Clarification that contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008) are accounted for in accordance with IFRS 3 (2005)

IFRS 3 *Business Combinations* – Unreplaced and voluntarily replaced share-based payment awards and its accounting treatment within a business combination

IAS 27 *Consolidated and Separate Financial Statements* – applying the IAS 27 (as revised in 2008) transition requirements to consequentially amended standards

IFRIC 13 *Customer Loyalty Programmes* – in determining the fair value of award credits, an entity shall consider discounts and incentives that would otherwise be offered to customers not participating in the loyalty programme)

NOTES

1. Basis of Preparation (continued)

Issued but not yet effective IFRSs

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective:

IFRS 1 Amendment	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
IFRS 9	*Financial Instruments*[4]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IAS 1 (Revised)	Revisions to IAS 1 – *Presentation of Financial Statements*[3]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19 (2011)	*Employee Benefits*[4]
IAS 27 (2011)	*Separate Financial Statements*[4]
IAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 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.

NOTES

2. Revenue

Revenue represents the net invoiced amount of goods sold, net of value-added tax, after allowances for returns, trade discounts and various types of government surcharges where applicable.

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sales of goods	**2,365,328**	1,437,561
Less: Government surcharges	**(1,900)**	(4,011)
Revenue	**2,363,428**	1,433,550

3. Profit Before Tax

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

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of sales	**2,155,697**	1,273,616
Depreciation	**70,325**	43,423
Amortisation of prepaid land premiums	**327**	327
Research costs	**9,058**	28,898
Auditors' remuneration	**–**	–
Staff costs (including directors' and supervisors' remuneration):		
– Salaries and other staff costs	**44,016**	25,086
– Retirement benefit contributions	**4,961**	4,146

NOTES

4. Taxation

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

According to the New Corporate Income Tax Law and the Certificate of High and New Technology Enterprise obtained by the Group, the Group is entitled to a preferential Enterprise Income Tax rate at 15% complying with relevant provisions for the three years ending 31 December 2011. Pursuant to an announcement made by the Group on 4 June 2011, the staff structure of the Group at the end of 2010 failed to fulfil the requirement of the Certification Standard for High and New Technology Enterprise regarding the income tax benefits that those enterprises entitled that year and the Group was required to submit a tax return for the income tax rate of 25%. As a result, the income tax expenses for 2010 in the combined statement of comprehensive income of the Group has been underprovided by approximately RMB13,240,000. The underprovided amount of income tax is charged as current year expense for the first half of this year.

The major components of income tax expense for the six months ended 30 June 2011 and 2010 are as follows:

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current income tax:		
Current income tax charge:	**22,025**	13,643
Income tax adjustment for previous year	**13,240**	–
Deferred income tax:		
Relating to the origination and reversal of temporary difference	**452**	–
Income tax expense reported in the income statement	**35,717**	13,643

NOTES

5. Dividends

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividend	**31,236**	40,581

The Board does not recommend any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

Pursuant to a resolution of an annual shareholders' meeting convened on 1 June 2011, the Group's shareholders approved the proposed final dividend for the year ended 31 December 2010 of RMB31,236,406 (RMB3.1 cents per share) in aggregate to the then shareholders.

6. Earnings Per Share

The calculation of basic earnings per share is based on the profit for the period attributable to the ordinary equity holders of the parent, and the weighted average number of shares (including Domestic Shares and H Shares) of 909,626,000 shares in issue during the period (for the six months ended 30 June 2010: 811,626,000 shares).

As at 1 April 2011, being the date which the Group issued an announcement, 196,000,000 new H Shares were allotted and issued to Vallourec & Mannesmann Tubes ("**VALLOUREC**") at the subscription price. After the date of such announcement and the completion of subscription, the Group has issued 1,007,626,000 shares in aggregate. Basic earnings per share for the six months ended 30 June 2011 amounted to RMB0.061. Diluted earnings per share amounted to RMB0.055.

NOTES

7. Trade and Notes Receivables

	As at 30 June 2011 (Unaudited) RMB'000	As at 31 December 2010 (Audited) RMB'000
Notes receivable from third parties	**173,450**	139,279
Trade receivables from overseas third parties	**145,872**	75,502
Trade receivables from domestic third parties	**99,618**	114,515
Impairment	**–**	(359)
	418,940	328,937

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, with particular strategic customers enjoying a credit period of up to 100 days. The Group enters into sales with overseas customers through irrevocable letters of credits. Each major 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.

NOTES

7. Trade and Notes Receivables (continued)

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

	As at 30 June 2011 (Unaudited) RMB'000	As at 31 December 2010 (Audited) RMB'000
Outstanding balances with ages:		
Within one year	**245,477**	189,658
Between one and two years	**–**	13
Between two and three years	**13**	8
Over three years	**–**	338
	245,490	190,017

8. Prepayments, Deposits and Other Receivables

	As at 30 June 2011 (Unaudited) RMB'000	As at 31 December 2010 (Audited) RMB'000
Prepayments	**261,813**	367,576
Deposits and other receivables	**436,296**	328,837
Bank interests receivable	**–**	981
	698,109	697,394

As at 30 June 2011, the Group did not write off any unrecoverable prepayments and other receivables (31 December 2010: Nil).

NOTES

8. Prepayments, Deposits and Other Receivables (continued)

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 RMB212,196,000 (31 December 2010: RMB170,354,000) pledged to the banks to secure the bank accepted drafts and letters of credit; and (ii) the net input value-added tax of RMB126,503,000 (31 December 2010: RMB141,263,000) arising from the purchase of property, plant and equipment after deducting the output value-added tax for domestic sales.

9. Derivative Financial Instruments

	As at 30 June 2011 (Unaudited) RMB'000	As at 31 December 2010 (Audited) RMB'000
Foreign exchange forward contracts	**5,500**	5,500
Portion classified as non-current	**–**	–
Current portion	**5,500**	5,500

All financial instruments carried at fair value are categorised in three categories, defined as follows:

Level 1 – Quoted market prices
Level 2 – Valuation techniques (market observable)
Level 3 – Valuation techniques (non-marked observable)

NOTES

9. Derivative Financial Instruments (continued)

As at 30 June 2011, the Group held the following financial instruments measured at fair value:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial instruments	–	5,500	–	5,500

The Group did not have any liabilities measured at fair value as at 30 June 2011.

During the six-month period ended 30 June 2011, there were no transfers between any level of the fair value hierarchy.

10. Trade and Notes Payables

	As at 30 June 2011 (Unaudited) RMB'000	As at 31 December 2010 (Audited) RMB'000
Notes payable to third parties	**560,780**	500,874
Trade payables to third parties	**94,135**	57,537
	654,915	558,411

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

NOTES

10. Trade and Notes Payables (continued)

Amounts payable to Tianda Holding and other payables related to the Group were unsecured, interest-free with no fixed terms of repayment. All other trade payable balances are unsecured, interest-free and are generally on a credit term of 30 days. An ageing analysis of the trade and notes payables on the balance sheet dates, based on the invoice/issuance date, is as follows:

	As at 30 June 2011 (Unaudited) RMB'000	As at 31 December 2010 (Audited) RMB'000
Outstanding balances with ages:		
Within one year	**650,930**	553,632
Between one and two years	**1,511**	1,294
Between two and three years	**729**	2,063
Over three years	**1,745**	1,422
	654,915	558,411

11. Issued Capital

As at 1 April 2011, being the date which the Group issued an announcement, 196,000,000 new H Shares were allotted and issued to VALLOUREC at the subscription price. After the date of such announcement and the completion of subscription, the Group has issued 1,007,626,000 shares in aggregate.

The Group issued new shares to VALLOUREC raising net proceeds of HKD774,160,000. Approximately 80% of the proceeds was applied to reduce bank debts, while the remains applied for liquidity requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2011, the Group recorded unaudited total revenue of about RMB2,363,428,000 (six months ended 30 June 2010: approximately RMB1,433,550,000), representing an increase of approximately RMB929,878,000 or 64.9% over the same period of the previous year. The increase was mainly attributable to the growth in sales volume following the release in production capacity of the Group's high-grade oil well pipe project as scheduled, as well as higher average price of products as a result of increases in costs and optimisation of the products mix and customers base.

Gross profit of the Group for the six months ended 30 June 2011 was about RMB207,731,000 (six months ended 30 June 2010: approximately RMB159,934,000). Gross profit increased by RMB47,797,000 or 29.9% when compared with the corresponding period of last year. The increase was principally due to a substantial growth in the sales revenue of the Group's products. The increase in gross profit is smaller than that of sales was attributable to the higher average production cost of products per tonne because of rises in production and manufacturing costs including the increases in the price of raw and supplementary materials, staff remuneration and depreciation in the equipment of product lines of high-grade oil well pipe project, as well as the intensified market competition.

The Group's sales and distribution costs for the six months ended 30 June 2011 amounted to about RMB67,216,000, accounting for 2.8% of the sales revenue for the current period (six months ended 30 June 2010: approximately RMB37,938,000, accounting for 2.6% of the then sales revenue). When compared with the same period of last year, the sales and distribution costs increased by about RMB29,278,000, or the percentage of sales and distribution costs representing sales revenue for the current period increased by approximately 0.2%. The increase was mainly due to a substantial increases in the sales volume of the Group and a higher inflation in the PRC mainland, and increases in product sales and transportation expenses.

During the six months ended 30 June 2011, the administrative expenses of the Group was approximately RMB31,419,000 (six months ended 30 June 2010: about RMB43,613,000). Administrative expenses dropped by about RMB12,194,000 or 28% over the same period of the previous year. The decrease was mainly due to the strengthening of the management efficiency of the Group and reduction in various expenses.

For the six months ended 30 June 2011, the Group's finance cost was approximately RMB20,772,000 (six months ended 30 June 2010: about RMB11,974,000), representing an increase of RMB8,798,000 or 73.5% over the same period of last year. This was mainly because part of the investment project was only completed until the first quarter of 2010 and the interest incurred on the related loans has been capitalized in the first quarter of 2010, whereas the interest was no longer capitalized during the six months ended 30 June 2011 as the whole project has been completed. In addition, bank interest rates rose accordingly as a result of the implementation of macroeconomic austerity measures of the Country.

MANAGEMENT DISCUSSION AND ANALYSIS

EBITDA for the six months ended 30 June 2011 of the Group was approximately RMB182,610,000 (six months ended 30 June 2010: approximately RMB146,677,000), representing an increase of RMB35,933,000 or 24.5% over the same period of last year. This was mainly attributable to a substantial increase in the sales revenue of the Group following the release in production capacity of the Group's high-grade oil well pipe project as scheduled.

Profit before tax for the six months ended 30 June 2011 of the Group was approximately RMB91,186,000 (six months ended 30 June 2010: approximately RMB90,953,000), representing an increase of RMB233,000 or 0.3% over the same period of last year. The growth of the profit before tax was not significant was mainly because although sales revenue of the Group increased, manufacturing costs and production costs rose, plus market competition intensified, resulting in a decrease in the gross profit margin of products, as well as the reduction in income from government grant.

Profit for the period for the six months ended 30 June 2011 of the Group was approximately RMB55,469,000 (six months ended 30 June 2010: approximately RMB77,310,000), representing a decrease of RMB21,841,000 or 28.3% over the same period of last year. This was mainly because profit before tax remained flat on a year-on-year basis, whereas enterprise income tax was calculated at the rate of 25% (15% for the same period of last year) with an upward adjustment in the income tax for the previous year.

Inventory level as at 30 June 2011 of the Group was approximately RMB959,913,000 (31 December 2010: approximately RMB615,156,000). The increase in inventory level was attributable to the strengthening in export sales as scale of operation for the Group expanded, resulting in an increase in the number of products pending custom declaration at the ports, plus an increase in the inventory level of raw and supplementary materials required for the operation. As at 30 June 2011, raw materials accounted for 48% of the period end inventory while finished products (including the so-called "plain pipes" which have not passed though threading processing) accounted for 43.7%. Average inventory turnover for the six months period 30 June 2011 was 67 days (2010: average of 61 days). The Company strictly controlled the inventory level of raw materials and finished goods to be within a reasonable production cycle.

Net assets of the Group as at 30 June 2011 was approximately RMB2,312,333,000 (31 December 2010: approximately RMB1,635,243,000), whereas net asset per share as at 30 June 2011 was approximately RMB2.29 (31 December 2010: approximately RMB 2.01), both increased since the Group continued to record profits and it placed 196,000,000 new H Shares to VALLOUREC at HKD3.96 per share during the current period.

MANAGEMENT DISCUSSION AND ANALYSIS

Operations Review

In 2011, impacts on the global financial crisis and debt crisis in Europe have not been fully eliminated, whereas influence from the anti-dumping policies in Europe and the United States continued; meanwhile persistent inflation pressuring manufacturing industries in the PRC to further increase of cost and the operation of specialized pipe enterprises in the PRC remains difficult. In the environment of high costs and keen competition, the Group managed to became stronger and grew, reinforcing its competitive power and market position. Focused on capturing the success of cooperation with leading enterprises in the world, the Group achieved a stable improvement in various areas including production and sales volume as well as enriching product mix during the first half of the year.

Introducing VALLOUREC as a strategic shareholder, perfecting corporate governance structure

On 1 April 2011, the Group had completed the placement of shares to VALLOUREC and issued 196,000,000 new H shares to VALLOUREC at a price of HKD3.96 per share, raising fund for development. Successfully introducing VALLOUREC as a strategic shareholder of the Group, utilizing its advantages in brand, technology and marketing resources to carry out industrial and commercial cooperation marked another important milestone on the Group's development history after listing in Hong Kong.

Pursuant to the subscription agreement entered into with VALLOUREC, the Board of the Group approved the appointment of financial manager and sales manager of Oil Countries Tubular Goods (OCTG) designated by VALLOUREC on 10 April 2011; and the appointment of three directors and one supervisor designated by VALLOUREC were approved at the annual general meeting of the Group on 1 June 2011; the Board had approved the appointments of deputy general manager and assistant to general manager who were nominated by the general manager on 15 June 2011, bringing governance structure and further strengthing internal control of the Group.

Stable operation on production equipment, rich products mix and further optimization of customer base

The Group continues to carry out technological improvement on production equipment and increase the utilisation rate of equipment. For the six months ended 30 June 2011, the Group's total production volume grew by approximately 42.9% over the same period of last year to 414,810 tonnes.

The product of the Group is dominated by oil well pipe, together with various types and specifications of oil and gas transmission pipe, boiler pipe, vessel pipe and axle pipe, which are applicable in many industries such as energy and machinery equipment. In view of keen competition in the market of oil well pipe, the Group applied its manufacturing technology into the development of other specialized pipes. Cylinder pipe developed in 2010, for instance, have been launched in market successfully at the beginning of this year.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2011, the Group continued to fortify the strategic cooperation with four oil giants, large boiler factories and shipyards in the PRC, selling 296,830 tonnes for different types of specialized pipes, increased by approximately 74.9% on a year-on-year basis. For the overseas market, the Group has overcome the adverse impacts of anti-dumping policies, continued to expand and consolidate the emerging markets in Africa, South America, Southeast Asia and Middle East, as well as cooperated with VALLOUREC related to sales of overseas oil well pipes, hence achieving export sales volume of 125,000 tonnes, increased by approximately 17.4% over the same period of last year.

Commencing research and development with VALLOUREC on a market-oriented basis

The Group stayed ahead of the changing demand from customers by incessantly developing new products to meet the demand of the market. During the period under review, the Group continued to carry out research and development on high-grade steel products and corrosion resistant oil well pipe products that are suitable for exploitation under adverse geological environment. Meanwhile, the Group has developed a fireproof seamless steel pipes used as building material and their processing methods as well as special high precision thread casing coupling, and has applied to the State Intellectual Property Office for patents.

During the period under review, experts have been sent to the Group by VALLOUREC to provide guidance on technology, quality control and research and development of products, preparing the Group for supplying special threaded high-grade steel oil well pipes in the domestic market.

Liquidity and Financial Resources

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

As at 30 June 2011, the Group's cash and bank deposits amounted to approximately RMB176,296,000 (31 December 2010: approximately RMB49,382,000). As at 30 June 2011, the Group's interest bearing loans and borrowings amounted to approximately RMB296,899,000 (31 December 2010: approximately RMB661,759,000). There is no particular seasonality of the Group's borrowings.

The Group's gearing ratio as at 30 June 2011 was approximately 7.9% (31 December 2010: approximately 20.8%), which is a percentage based on the interest-bearing loans and borrowings divided by total assets as at 30 June 2011.

Charges on assets

Except as detailed in note 8, as at 30 June 2011, there is no other property, plant and equipment as well as bank deposits pledged to obtain bank financing.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant investments held

On 15 June 2011, the Board had approved the motions of the construction of a new logistic workshop to the north of existing pipe processing workshop in Chuzhou city, investment for technical reform on the production line of high-grade oil well pipe and the project of building a new dormitory in Chuzhou city. The expected investment of above projects were amounting to RMB95,000,000, RMB120,000,000 and RMB50,000,000, respectively.

Except the above, during the six months ended 30 June 2011, the Group did not have other significant investment.

Major acquisition and disposal

The Group did not make any major acquisition or disposal during the six months ended 30 June 2011.

Contingent liabilities

As at 30 June 2011, the Group did not have any significant contingent liabilities.

Foreign exchange risk

Generally, when the Group sells its products to overseas customers, it is settled in United States dollars or Euro. The Group's books are prepared in RMB whereas the receivables from overseas customers may be subject to foreign currency fluctuations. The Group usually sells all its nonfunctional currencies to banks immediately after receipt.

During the period under review, the Group applied forward foreign currency contracts to fix the foreign exchange rate in order to hedge against foreign exchange risk resulting from overseas sales transactions.

All cash and cash equivalents of the Group are denominated in RMB, Hong Kong dollars and United States dollars and bank deposits are placed with banks in the PRC and, to a smaller extent, with Chinese banks in Hong Kong to fund the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Segmental information

1. **Self-produced specialized pipes**

   For the six months ended 30 June 2011, the sales volume of the Group's self-produced specialized pipes was approximately 413,830 tonnes (six months ended 30 June 2010: approximately 261,670 tonnes), representing an increase of approximately 58.1% as compared with the corresponding period in the previous year.

2. **Sourcing and distribution of specialized pipes**

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

For the six months ended 30 June 2011, the sales volume of the Group's sourcing and distribution of specialized pipes was approximately 8,000 tonnes (six months ended 30 June 2010: approximately 14,590 tonnes). When compared to the same period of last year, the sales volume of those products diminished by approximately 45.2%. Despite the ever changing industry and market conditions, the Group's sourcing and distribution business of specialized seamless pipes remained vivacious during the period. We took great leaps in timely transferring product specifications demanded by customers but not yet produced by the Group to self-production through research and development.

Human Resources

The Group believes that the quality of its employees is one of the most important factors for its development and growth and the enhancement of its profitability. As at 30 June 2011, the Group had 2,018 employees (31 December 2010: 1,797 employees). The remuneration package for the Group's employees includes salaries, incentives 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 also participates in a mandatory provident fund scheme in respect of its employees in Hong Kong.

Committed to maintaining good corporate culture, the Group is people-oriented and focuses on enhancing team cohesion and motivating staff morale incentives, in order to reinforce the competitiveness of enterprise and ensure a sustainable development.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Proceeds Relating to New Share Issue in April 2011

On 1 April 2011, the Group issued 196,000,000 new H shares to VALLOUREC at a price of HKD3.96 per share, raising net proceeds of HKD774,160,000. 80% of the proceeds was applied to reduce bank debts, while the remains applied for liquidity requirements. All of the proceeds has been used up.

Events After Reporting Date

The Group did not have any significant event from the reporting date to the date of this report.

Prospects

In respect of interim and long-term development in specialized pipe industry in the PRC, it is the common goal for each company and the whole industry to stumble out of the difficulty with low profit and enhance competitiveness of the industry until it is sure that the industry is able to develop healthily and sustainably. One of the key measures to promote the healthy development of the industry is to wash out the incompetent productivity, control production inputs, increase the technology level of research and development and improve the industry concentration.

Our operating goal this year is to cooperate well in the run-in period with VALLOUREC, improve the utilisation rate of production equipments, optimize sales both sales channels and customer structure and increase its market shares. With the improvement in the competing market environment, the Group will focus on raising the class and added value of its products next year in order to increase its overall profitability.

The Group believe that in the next two or three years, self-transition in the industry, changes in competition pattern well as adjustment and development performed by the enterprises themselves are becoming more and more obvious. After being recovered from the existing difficulties and undergoing changes, the specialized pipe industry in the PRC will enter a more mature stage of development. Long-established edges and developing potential brought by strategic cooperation in the future will offer the Group with a better adaptability, even leading the long-term development of the specialized pipe industry in the PRC.

Directors' and Supervisors' Interests in a Competing Business

For the six months ended 30 June 2011, the directors of the Group were not aware of any business or interest of the directors, the supervisors, management shareholders of the Group and their respective associates (as defined under the Listing Rules) that compete or may compete (directly or indirectly) with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Directors', Supervisors and Chief Executives' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2011, the interest of the directors, supervisors and chief executives of the Group in the shares, underlying shares or debentures of the Group and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which will be required to be notified to the Group 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:

Domestic shares of the Company of RMB0.5 each

Name of Director or Supervisor	Number of Shares	Nature of Interest	Notes	Percentage of total number of issued shares (%)
Ye Shi Qu	510,000,000 (L)	Interest in controlled corporation	(1)	50.61%
Ye Shi Qu	510,000,000 (S)	Interest in controlled corporation	(1)	50.61%
Ye Shi Qu	1,632,000,000 (L)	Interest in controlled corporation and concert parties	(3)	161.97%
Zhang Hu Ming	1,632,000,000 (L)	Concert parties	(3)	161.97%

H shares of the Company of RMB0.5 each

Name of Director or Supervisor	Number of Shares	Nature of Interest	Notes	Percentage of total number of issued shares (%)
Ye Shi Qu	864,000,000 (L)	Interest in controlled corporation and concert parties	(2), (3)	85.75%
Ye Shi Qu	20,000,000 (S)	Interest in controlled corporation	(2)	1.99%
Zhang Hu Ming	864,000,000 (L)	Concert parties	(3)	85.75%

(L) refers to the long position
(S) refers to the short position

MANAGEMENT DISCUSSION AND ANALYSIS

Beneficial Interests

Name of Company	Name of Director or Supervisor	Beneficial Interests/ Total amount of capital contribution	Nature of interest	Notes	Percentage holding of shares/ interest in registered capital of the relevant associated corporation (%)
Tianda Holding	Ye Shi Qu	RMB 198,985,900	Beneficial owner		85.14%
Tianda Investment	Ye Shi Qu	RMB 50,000,000	Interest in controlled corporation	(1), (2)	100%
Tiancheng Changyun	Ye Shi Qu	HKD 46,681,980	Interest in controlled corporation	(1), (2)	100%
Tianda Holding	Zhang Hu Ming	RMB 9,166,700	Beneficial owner		3.92%
Tianda Holding	Geng Wei Long	RMB 473,200	Beneficial owner		0.20%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Ye Shi Qu holds 85.14% of the equity interest in Tianda Holding. Tianda Holding holds (i) 408,000,000 domestic shares of the Company with long position; (ii) 408,000,000 domestic shares of the Company with short position; and (iii) 100% of the equity interest in Tianda Investment.

   Tianda Investment holds (i) 102,000,000 domestic shares with long position; and (ii) 102,000,000 domestic shares with short position in the Company. Accordingly, Ye Shi Qu is deemed to be interested in all of (i) 510,000,000 domestic shares with long position; and (ii) 510,000,000 domestic shares with short position in the Company.

2. Ye Shi Qu holds 85.14% of the equity interest in Tianda Holding. Tianda Holding holds 95% of the equity interest in Anhui Tianda (Group) Co., Ltd, which in turn holds 100% of the equity interest in Tiancheng Changyun, which in turn holds (i) 216,000,000 H shares with long position; and (ii) 20,000,000 H shares with short position in the Company. Accordingly, Ye Shi Qu is deemed to be interested in (i) 216,000,000 H shares with long position; and (ii) 20,000,000 H shares with short position in the Company.

3. Vallourec & Mannesmann Tubes, Tianda Holding, Tianda Investment, Tiancheng Changyun, Ye Shi Qu and Zhang Hu Ming entered into Shareholders Agreement on 15 September 2010. Section 317 of the SFO shall apply to this agreement. Vallourec & Mannesmann Tubes, Tianda Holding, Tianda Investment, Tiancheng Changyun, Ye Shi Qu and Zhang Hu Ming are concert parties with each other in relation to (i) 1,632,000,000 domestic shares and (ii) 864,000,000 H shares jointly held by them.

Save as disclosed above, none of the directors, the supervisors and chief executives of the Group nor their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Group 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 Group under section 352 of the SFO as at 30 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Substantial Shareholders And Other Persons' Interests And Short Positions In Shares And Underlying Shares Of The Group

So far as the directors or chief executives of the Group are aware, as at 30 June 2011, the following persons had an interest or short position in the shares and underlying shares of the Group which were recorded pursuant to section 336 of the SFO in the register referred to therein:

Domestic shares of the Company of RMB0.5 each

Name of Substantial Shareholders	Number of Shares	Nature of interest	Notes	Percentage of total number of issued domestic shares (%)	Percentage of total number of issued shares (%)
Tianda Holding	408,000,000 (S)	Beneficial owner	(1)	80%	40.49%
	102,000,000 (S)	Interest in controlled corporation	(1)	20%	10.12%
	1,632,000,000 (L)	Concert parties	(4)	320%	161.97%
Tianda Investment	102,000,000 (S)	Beneficial owner		20%	10.12%
	1,632,000,000 (L)	Concert parties	(4)	320%	161.97%
Tiancheng Changyun	1,632,000,000 (L)	Concert parties	(4)	320%	161.97%
Vallourec S.A.	1,632,000,000 (L)	Concert parties	(4)	320%	161.97%
	510,000,000 (L)	Interest in controlled corporation	(2)	100%	50.61%
Vallourec & Mannesmann Tubes	1,632,000,000 (L)	Concert parties	(4)	320%	161.97%
	510,000,000 (L)	Beneficial owner		100%	50.61%

(L) refers to the long position
(S) refers to the short position

MANAGEMENT DISCUSSION AND ANALYSIS

H shares of the Company of RMB0.5 each

Name of Substantial Shareholders	Number of Shares	Nature of interest	Notes	Percentage of total number of issued Domestic shares (%)	Percentage of total number of issued shares (%)
Tianda Holding	864,000,000 (L)	Concert parties	(3), (4)	173.62%	85.75%
	20,000,000 (S)	Interest in controlled corporation	(3)	4.02%	1.99%
Tiancheng Changyun	864,000,000 (L)	Concert parties	(4)	173.62%	85.75%
	20,000,000 (S)	Beneficial owner	(3)	4.02%	1.99%
Tianda Investment	864,000,000 (L)	Concert parties	(4)	173.62%	85.75%
Vallourec S.A.	864,000,000 (L)	Concert parties	(4)	173.62%	85.75%
	196,000,000 (S)	Interest in controlled corporation	(2)	39.39%	19.45%
Vallourec & Mannesmann Tubes	864,000,000 (L)	Concert parties	(2), (4)	173.62%	85.75%
	196,000,000 (S)	Interest in controlled corporation	(2)	39.39%	19.45%
Hillhouse Capital Management, Ltd.	40,061,000 (L)	Investment Manager	(5)	8.05%	3.98%
Templeton Asset Management, Ltd.	63,926,841 (L)	Investment Manager		12.85%	6.34%

(L) refers to the long position
(S) refers to the short position

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. Tianda Holding holds (i) 408,000,000 domestic shares in the Company with short position; and (ii) 100% of the equity interest in Tianda Investment. Tianda Investment holds 102,000,000 domestic shares in the Company with short position. Accordingly, Tianda Holding is deemed to be aggregately interested in 510,000,000 domestic shares in the Company with short position.

2. Vallourec S.A. holds 100% of the equity interest in Vallourec & Mannesmann Tubes, which in turn holds (i) 510,000,000 domestic shares with long position; (ii) 864,000,000 H shares with long position; and (iii) 196,000,000 H shares with short position in the Company. Accordingly, Vallourec S.A. is deemed to be interested in (i) 510,000,000 domestic shares with long position; (ii) 864,000,000 H shares with long position; and (iii) 196,000,000 H shares with short position in the Company.

3. Tianda Holding holds 95% of the equity interest in Anhui Tianda (Group) Co., Ltd, which in turn holds 100% of the equity interest in Tiancheng Changyun, which in turn holds (i) 216,000,000 H shares with long position; and (ii) 20,000,000 H shares with short position in the Company. Accordingly, Tianda Holding is deemed to be interested in (i) 216,000,000 H shares with long position; and (ii) 20,000,000 H shares with short position in the Company.

4. Vallourec & Mannesmann Tubes, Tianda Holding, Tianda Investment, Tiancheng Changyun, Ye Shi Qu and Zhang Hu Ming entered into Shareholders Agreement on 15 September 2010. Section 317 of the SFO shall apply to this agreement. Vallourec & Mannesmann Tubes, Tianda Holding, Tianda Investment, Tiancheng Changyun, Ye Shi Qu and Zhang Hu Ming are concert parties with each other in respect of (i) 1,632,000,000 domestic shares and (ii) 864,000,000 H shares jointly held by them.

5. Based on the records of the Company, Hillhouse Capital Management, Ltd. is interested in 14,875,500 H Shares and 25,185,500 H Shares of Gaoling Fund, L.P. and Gaoling Yali Fund, L.P., respectively.

Save as disclosed above, as at 30 June 2010, 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 Group as recorded on 30 June 2010 in the register required to be kept by the Group under section 336 of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

Purchase, Sale or Redemption of Securities

On 1 April 2011, VALLOUREC subscribed for 196,000,000 new H Shares issued by the Group. Apart from that, the Group has not purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2011.

Corporate Governance

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

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

Audit Committee

The audit committee of the Group (the "**Audit Committee**") has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the unaudited financial statements for the six months ended 30 June 2011. The Audit Committee currently comprises two independent non-executive directors, Mr. Zhao Bin and Mr. Wu Chang Qi and one non-executive director Mr. Liu Peng. Mr. Zhao Bin is the chairman of the Audit Committee.

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

Anhui, the PRC, 18 August 2011

As at the date of this report, the Board comprises three executive Directors: Ye Shi Qu, Zhang Hu Ming and Fu Jun; two non-executive Directors: Liu Peng and Delhon-Bugard Hervé; and three independent non-executive Directors: Wu Chang Qi, Zhao Bin and Yan Lan.