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)

PRELIMINARY FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL SUMMARY:

- For the year, the Group achieved a total production of about 628,300 tonnes, compared to 2009, representing an increase of approximately 79.5% and achieved total sales of about 623,400 tonnes, representing an increase of approximately 55.9%.
- For the year, the Group recorded total revenue of approximately RMB3,181,719,000, an increase of approximately RMB1,244,976,000 compared to 2009, representing an increase of approximately 64.3%.
- For the year, the profit attributable to the owners of the parent of the Group was approximately RMB114,516,000, a decrease of RMB85,173,000 compared to 2009, representing a decrease of approximately 42.7%.
- Earnings per share amounted to approximately RMB0.14, representing a decrease of approximately 46.2% as compared to the previous year.
- The Board has proposed a final dividend of RMB3.1 cents per share (inclusive of tax) in respect of the year 2010.

FINAL RESULTS

The board of directors (the "**Board**") of Anhui Tianda Oil Pipe Company Limited (the "**Company**") is pleased to present final results of the Company and its subsidiary (the "**Group**") for the year ended 31 December 2010 together with comparative figures for 2009.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2010** *RMB'000*	2009 *RMB'000*
REVENUE	*3*	**3,181,719**	1,936,743
Cost of sales		**(2,920,170)**	(1,667,676)
Gross profit		**261,549**	269,067
Other income and gains		**31,212**	60,165
Selling and distribution costs		**(94,449)**	(67,431)
Administrative expenses		**(36,678)**	(22,844)
Other expenses		**(2,612)**	(1,972)
Finance costs		**(24,220)**	(1,391)
PROFIT BEFORE TAX	*4*	**134,802**	235,594
Income tax expense	*5*	**(20,286)**	(35,905)
PROFIT FOR THE YEAR		**114,516**	199,689
OTHER COMPREHENSIVE INCOME			
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**114,516**	199,689
Profit attributable to:			
Owners of the parent		**114,516**	199,689
Total comprehensive income attributable to:			
Owners of the parent		**114,516**	199,689
Dividends:			
Proposed final dividend	*6*	**25,160**	40,581
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*7*	**RMB0.14**	RMB0.26

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,457,468**	1,247,469
Prepaid land lease payments		**27,970**	28,623
Deferred tax assets	5	**146**	431
Total non-current assets		**1,485,584**	1,276,523
CURRENT ASSETS			
Inventories	8	**615,156**	368,661
Trade and notes receivables	9	**328,937**	187,946
Prepayments, deposits and other receivables		**697,394**	1,201,286
Derivative financial instruments		**5,500**	–
Cash and cash equivalents		**49,382**	384,217
Total current assets		**1,696,369**	2,142,110
CURRENT LIABILITIES			
Interest-bearing loans and borrowings		**144,259**	21,522
Trade and notes payables	10	**558,411**	1,064,588
Tax payable	5	**11,176**	34,995
Other payables and accruals		**314,539**	110,006
Total current liabilities		**1,028,385**	1,231,111
NET CURRENT ASSETS		**667,984**	910,999
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,153,568**	2,187,522
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings		**517,500**	626,214
Deferred tax liabilities	5	**825**	–
Total non-current liabilities		**518,325**	626,214
NET ASSETS		**1,635,243**	1,561,308
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Issued capital		**405,813**	405,813
Reserves		**1,204,270**	1,114,914
Proposed final dividends		**25,160**	40,581
TOTAL EQUITY		**1,635,243**	1,561,308

NOTES TO FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Changes in accounting policy and disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standards*
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
IFRS 3 (Revised)	*Business Combinations*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
IFRS 5 Amendments included in issued in May 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the Improvements to IFRSs interest in a subsidiary*
Improvements to IFRSs 2009	Amendments to a number of IFRSs issued in April 2009

Other than as further explained below regarding the impact of amendments to IAS 7 and IAS 17 included in Improvements to IFRSs 2009, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

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

Improvements to IFRSs 2009 issued in April 2009 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 7 Statement of Cash Flows: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- IAS 17 Leases: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in IAS 17.

2. OPERATING SEGMENT INFORMATION

Geographical information

Revenue from external customers

	2010	2009
	RMB'000	RMB'000
Mainland China	**2,042,416**	1,295,428
United States of America	**163,847**	65,248
Other countries	**975,456**	576,067
	3,181,719	1,936,743

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

3. 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.

	2010	2009
	RMB'000	*RMB'000*
Sale of goods	**3,189,048**	1,942,555
Less: Government surcharges	**(7,329)**	(5,812)
Revenue	**3,181,719**	1,936,743

4. PROFIT BEFORE TAX

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

	2010 *RMB'000*	2009 *RMB'000*
Cost of inventories sold	**2,920,170**	1,667,676
Depreciation	**109,849**	43,126
Amortisation of prepaid land lease payments	**653**	653
Reversal of inventories to net realisable value	**(1,900)**	(2,490)
Research costs	**3,843**	6,638
Auditors' remuneration	**950**	650
Staff costs:		
– Salaries and other staff costs	**64,065**	33,279
– Retirement benefit contributions	**8,702**	6,285

5. 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 2010 (2009: 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 named 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 approval 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 2010 and 2009 are as follows:

	2010 *RMB'000*	2009 *RMB'000*
Current – Mainland China		
Charge for the year	**19,176**	34,995
Current – Elsewhere	**–**	–
Deferred:		
Relating to the revaluation of foreign exchange forward contracts to fair value	**825**	–
Relating to reversal of temporary differences	**285**	910
Total tax charge for the year	**20,286**	35,905

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

	2010	2009
	RMB'000	*RMB'000*
Profit before income tax	**134,802**	235,594
Tax at the applicable tax rate of 15%	**20,220**	35,339
Expenses not deductible for tax	**66**	566
Tax charge at the Group's effective rate	**20,286**	35,905
Effective tax rate	**15.05%**	15.24%

The movements in income tax payable during the years ended 31 December 2010 and 2009 are as follows:

	2010	2009
	RMB'000	*RMB'000*
At beginning of year	**34,995**	72,347
Provision for the year	**19,176**	34,995
Payment during the year	**(42,995)**	(72,347)
At end of year	**11,176**	34,995

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 2010 and 2009 are as follows:

	2010	2009
	RMB'000	*RMB'000*
At beginning of year	**431**	1,341
Deferred tax charged to profit or loss during the year	**(285)**	(910)
At end of year	**146**	431

The movements in deferred tax liabilities arising from the revaluation of forward currency contracts to fair value during the years ended 31 December 2010 and 2009 are as follows:

	2010	2009
	RMB'000	*RMB'000*
At beginning of year	**–**	–
Deferred tax charged to profit or loss during the year	**825**	–
At end of year	**825**	–

6. DIVIDENDS

	2010	2009
	RMB'000	*RMB'000*
Proposed final dividends – RMB3.1 cents (2009: RMB5 cents) per ordinary share	**25,160**	40,581

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

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of shares (including Domestic Shares and H Shares) of 811,626,000 in issue during the year (2009: 764,247,000).

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

8. INVENTORIES

	2010	2009
	RMB'000	*RMB'000*
Raw materials	**222,145**	141,796
Work in progress, at cost	**21,584**	15,568
Finished goods and merchandises	**371,427**	211,297
	615,156	368,661

Included in inventories as at 31 December 2010 were certain raw materials and finished goods carried at a net realisable value of RMB22,127,000 (31 December 2009: RMB20,035,000).

9. TRADE AND NOTES RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Notes receivable from domestic third parties	**139,279**	32,183
Trade receivables from overseas third parties	**75,502**	43,471
Trade receivables from domestic third parties	**114,515**	112,651
	190,017	156,122
Impairment	**(359)**	(359)
	328,937	187,946

The balances of notes receivable are unsecured, interest-free and mature within 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 credit. 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:

	2010	2009
	RMB'000	*RMB'000*
Outstanding balances with ages:		
Within one year	**189,658**	155,772
Between one and two years	**13**	8
Between two and three years	**8**	6
Over three years	**338**	336
	190,017	156,122

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

	2010	2009
	RMB'000	*RMB'000*
At beginning of year	**359**	359
Amount written off as uncollectible	**–**	–
At end of year	**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 2009: RMB359,000) with a carrying amount before provision of RMB359,000 (31 December 2009: 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:

	2010	2009
	RMB'000	*RMB'000*
Neither past due nor impaired	**189,658**	155,763

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 2010, the Group did not pledge any trade receivables (31 December 2009: Nil).

10. TRADE AND NOTES PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Notes payable to third parties	**500,874**	1,006,566
Trade payables to third parties	**57,537**	58,022
	558,411	1,064,588

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:

	2010	2009
	RMB'000	*RMB'000*
Outstanding balances with ages:		
Within one year	**553,632**	**1,060,703**
Between one and two years	**1,294**	**2,282**
Between two and three years	**2,063**	**571**
Over three years	**1,422**	**1,032**
	558,411	**1,064,588**

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 RMB139,539,000 as at 31 December 2010 (31 December 2009: RMB592,966,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis relating to the Group's financial and operating conditions should be read in conjunction with the Group's consolidated financial statements and related notes for reference.

OVERVIEW

The unprecedented stimulus packages invigorated the global economy to a speedy recovery, followed by a slow, unstable, and unbalanced recovery period in 2010. The operating landscape in 2010 was a bit difficult and challenging for China's specialized pipe industry. Market demand was weighed down by the rampage of the financial crisis and the exercise of trade protection policies by the European and American countries. The focused release of the capacity in the industry (built up before the crisis) has resulted in intensified market competition. Product prices remained at low levels. In the second half of the year, the regional electricity rationing and rising raw material costs had also exposed the Group's operation and profitability to adverse impacts. Against the backdrop of market downturn in a complex and competitive environment, the Group heralded the entry of its business to an era of growth. We marched towards a substantial increase in production and sales, rich product mix, broad customer base, and strong financial position. Moreover, the restructuring cooperative project with the world leader in premium tabular solutions, Vallourec & Mannesmann Tubes ("VALLOUREC") was under smooth progress.

Comprehensive income

The Group recorded a total revenue of approximately RMB3,181,719,000 in 2010, representing an increase of approximately RMB1,244,976,000 or approximately 64.3% when compared to approximately RMB 1,936,743,000 in 2009. The increase in revenue was attributable to the following reasons: (1) the Group's sales increased by about 223,400 tonnes to about 623,400 tonnes following the operation of the production line of the 300,000 tonnes high-grade oil well pipe project in 2010; (2) the average price per tonne of product rose by approximately RMB248 to approximately RMB5,104 as a result of the rise in raw material prices and the change in product range structures.

During the year under review, the respective sales from the domestic and overseas markets each reached a new height. The sales growth from the overseas markets was particularly prominent. The proportion of overseas sales to the Group's total sales was about 35.8% (2009: approximately 33.1%).

Gross profit

During the year, the Group reported a gross profit of approximately RMB261,549,000, which was a decrease of approximately RMB7,518,000 or approximately 2.8% when compared to approximately RMB269,067,000 in 2009. The decrease in gross profit was mainly due to the fact that: (1) there was ferocious market competition, and the increase in product price was less than the rise in raw material prices; (2) following the recent trial operation of the production line of the 300,000 tonnes high-grade oil well pipe project in early 2010, the depreciation per unit of product was higher, investment in research and development and raw material consumption increased during the trial production, and the production volumne in the first year of operation was relatively low. In other words, in 2010, the commission and operation of the production line of the 300,000 tonnes high-grade oil well pipe project contributed insignificant profitability to the Group; (3) the product gross margin was affected as the utilization rate of the Group's production facilities was below normal operation level as a result of the regional electricity rationing in the second half of the year.

Other income and gains

For the year ended 31 December 2010, the Group's other income and gains amounted to approximately RMB31,212,000, representing a decrease of approximately RMB 28,953,000 or approximately 48.1% when compared to approximately RMB 60,165,000 in 2009. The decrease was mainly due to: (1) the reduction in government incentives and benefits by approximately RMB17,199,000 amid China's gradual economic recovery in 2010; (2) The reduction in interest income in line with the decrease in bank deposits as a result of higher demand for liquidity following the commencement of operation of the new production line; and (3) lower earnings from the financial instruments hedging foreign currency investments following the completion of the procurement of imported equipment for the high-grade oil well pipe production line project.

Selling and distribution costs

For the year ended 31 December 2010, the selling and distribution costs of the Group was about RMB94,449,000, representing an increase of approximately RMB27,018,000 or approximately 40.1% when compared to approximately RMB67,431,000 in 2009. The increase was mainly due to the rise in unit transportation costs due to the increased sales and transportation rates, and the soar in salaries for sales personnel in line with the expanded sales volume.

Administrative expenses

For the year ended 31 December 2010, the Group's administrative expenses was approximately RMB36,678,000, which was an increase of approximately RMB13,834,000 or approximately 60.6% when compared to approximately RMB22,844,000 in 2009. The increase was mainly due to the increase in salary levels of senior managers, junior managers as well as professional and technical staff during the period due to the Group's focus on enhancing team cohesion and motivating staff morale.

Finance costs

The finance costs of the Group for the year ended 31 December 2010 amounted to approximately RMB24,220,000 (2009: approximately RMB1,391,000), which increased by approximately RMB22,829,000 when compared with last year. The increase was mainly caused by the fact that the bank loans for fixed assets projects were not yet due for repayment while the fixed assets investment projects have been completed, and the interest expenses incurred were no longer capitalized.

Income Tax

The income tax of the Group for the year was approximately RMB20,286,000 (2009: approximately RMB35,905,000), representing a decrease of approximately RMB15,619,000 when compared with last year. The decrease was mainly due to a fall in profit before tax when compared with last year. In accordance with the "Management Methods for Identification as a New and High-tech Enterprise" (《高新技術企業認定管理辦法》), the Group's statutory corporate income tax rate of 2010 was 15%.

Net profit

The Group's net profit attributable to owners of the parent company for the year was approximately RMB114,516,000 (2009: approximately RMB199,689,000). When compared with last year, net profit attributable to equity holders decreased by approximately RMB85,173,000 or approximately 42.7%. The decrease was mainly due to (1) a year-on-year decrease in the gross margin achieved by the Group due to factors including fierce market competition, rising costs, higher depreciation of new production lines, and regional electricity rationing; (2) the increase in selling and distribution costs and administrative expenses as a result of the expansion of the operation scale of the Group, and the increase in financial expenses due to non-capitalization of the interests of the loans for fixed assets projects; (3) the reduction in various government incentives and subsidies amid macro-economic recovery.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group's cash and cash equivalents amounted to approximately RMB49,382,000 (31 December 2009: approximately RMB384,217,000). As at 31 December 2010, the Group's interest-bearing loans and borrowings amounted to approximately RMB661,759,000 (31 December 2009: approximately RMB647,736,000). Bank loans of the Group bore interest at rates ranging from 3.55% to 7.47% per annum in 2010. Except for bank loans in the amount of RMB331,131,000, the remaining loans were guaranteed. Bank loans of the Group are denominated in RMB or other foreign currencies.

It is essential for the Group to strike a balance between capacity expansion and strong financial position. The Group has always been committed to building long-term relationship of mutual trust with major banks. This has provided sound support to the long-term financial position of the Group. We adhered to prudent financial management and maintained good working relationship with banks. For the expansion of production capacity, the Group secured an optimal loan portfolio, which was well-balanced with our business realities and pace of development in a number of aspects including different currencies and repayment period. Thanks to the expansion of the operations of the Group during the year under review, the Group's credit limits with various banks were increased, thus spreading the financing risk. The Group's net debts amounted to approximately RMB1,485,327,000, and its gearing ratio as at 31 December 2010 was approximately 48% (31 December 2009: approximately 48%), which was net debt divided by total capital plus net debt.

CHARGES ON ASSETS

As at 31 December 2010, part of the Group's time deposits of RMB170,354,000 were pledged to secure the bank accepted drafts, the letters of credit and foreign exchange forward contracts (31 December 2009: the time deposits of RMB622,276,000 pledged to secure the bank accepted drafts, the letters of credit and bank loans). As at 31 December 2010, none of the Group's property, plant and equipment was pledged (31 December 2009: Nil).

SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 2010, 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 2010.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group did not have any significant contingent liabilities.

FUTURE PROSPECT

The global economy remains uncertain in 2011. To stay ahead of the competitive market environment, the Group will capitalize on its scale of economies, R&D promotion and synergies from comprehensive business cooperation with VALLOUREC, and maintain its competitiveness and business growth through the implementation of the following strategies. We expect to generate stable returns for our shareholders.

Events after the reporting period

Pursuant to the approval document CSRC [2011] No. 261 issued by China Securities Regulatory Commission, the Company was authorised to issue 196,000,000 new H shares at a price of HK$3.96 each which will be subscribed by VALLOUREC (the "Subscription"). The Subscription has not been completed as at 24 March 2011. Details of the Subscription has been set out on the relevant announcement of the Company dated 16 September 2010.

Stepping up efforts in research and development, improving equipment utilisation and enhancing added values of products

The Group will continue to reinforce the technological transformation of the production lines and equipment, while upgrading production processes and tapping into the potential of the high-grade oil well pipe production line, so as to endeavour to expand the actual production capacity of the production line of the high-grade oil well pipes to the double of the design capacity by 2012. To achieve this capacity goal, the Group's technological transformation required a capital expenditure of about RMB50 million each year. In 2011, the capacity target of the Group will be about 850,000 tonnes.

In relation to the research and development of products, by riding on the advantages of strategic partners in product development resources, and collaborating with research institutions in the industry, new products in the category of high-grade steel and specialized threaded oil well pipes were developed jointly. In the product structure, through the use of mature technology of oil well pipes as well as the employment of high precision and flexibility features of the rolling production line of the high-grade steel oil well pipes, we developed and produced high-grade nuclear power pipes, supercritical boiler pipes and specialized tubes for heavy-duty trucks and so on. In the processing segments, the focus was placed on improving the proportion of advanced processing such as product threading and heat treatment, so as to constantly improve the added values of products.

Vigorously exploring and optimizing the domestic and international markets, enhancing market control ability and brand influence

The surge in oil prices boosted oil exploration and exploitation to another boom cycle, driving the demand for drilling equipment. At the same time, with the development of the oil industry, oil drilling has become more sophisticated, and there are increasing concerns about drilling depth. This led to increased consumption of oil well pipes and stronger demand for high-end oil well pipes.

Domestic market demand was basically saturated, while global market demand grew steadily. Advantages are gradually concentrated on a small number of enterprises. Pivoting on proven record in the industry, eminent technical capabilities and stable financial base, coupled with a wide variety of differentiated services, channel expansion and a diversified customer base, the Group was well-positioned to continue to enlarge its share in the domestic market.

Following the cooperation with VALLOUREC, VALLOUREC will be responsible for the overseas sales of the oil well pipe products produced by the Group. VALLOUREC has a customer base which is mostly large international oil companies. This move will optimize the structure of the Group's customer base, thereby consolidating and strengthening the Group's brand influence. In addition, the Group will continue to step up its efforts on the export of other specialized pipes including high-grade steel pipelines and seabed pipelines, so as to raise the proportion of export sales to the Group's total sales to about 50%.

Finally, to cope with the Group's future needs of long-term growth, the Group will make greater efforts to select and train talented people, so as to grow us into an enterprise with evergreen vitality.

FOREIGN EXCHANGE RISK

Generally, when the Group sells its products to overseas customers, it is dealing in United States dollars. The Group'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 2010, the sales volume of the Group's self-produced specialized pipes was approximately 594,700 tonnes (2009: approximately 350,000 tonnes), representing a year-on-year increase of approximately 69.9% when compared to the previous year.

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

Apart from the self production of specialized seamless pipes to cater for the demand from 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 of different specifications and kinds not yet manufactured by the Group, so as to speed up the customers' sourcing pace and reduce their costs of sourcing, thereby providing the customers with all-round services, and enabling the Group to timely capture market conditions and trends in customer needs.

For the year ended 31 December 2010, the sales volume of the Group's sourcing and distribution of specialized pipes was approximately 28,700 tonnes (2009: approximately 50,000 tonnes). When compared to last year, the sales volume of the sourcing and distribution of specialized pipes declined by approximately 42.6%.

By reacting to customer needs and keeping abreast of the Group's actual business needs, the Group timely converted some products from external procurement to self production. Although there was a decline in the sales volume of the sourcing and distribution of specialized pipes during the period under review, the Group's business strategy for the sourcing and distribution of specialized pipes remained unchanged.

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 2010, the Company had 1,797 employees (as at 31 December 2009: 1,658 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 is committed to maintaining good corporate culture. We are people-oriented, and focus on enhancing team cohesion and motivating staff morale incentives through establishment of a remuneration mechanism with both external competitiveness and internal equity.

USE OF PROCEEDS FROM INTERNATIONAL PLACING IN DECEMBER 2009

In December 2009, the Group raised net proceeds of approximately HK$196,000,000 through an international placing. As at 31 December 2010, the use of proceeds by the Group was in line with the details set out in the announcement of the Group dated 4 December 2009. The proceeds were fully utilized as of 31 December 2010.

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 2010, 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Group adopts standards of conduct regarding director's dealing in securities as set out in Appendix 10 of the Listing Rules. In addition, the Group has made specific enquiries of all directors and each director had confirmed that they have fully complied with the required standards during the year ended 31 December 2010.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB3.1 cents per share (inclusive of tax) in respect of the year ended 31 December 2010. Dividends payable to holders of Domestic Shares will be paid in RMB, while dividends payable to holders of H shares will be paid in Hong Kong dollars. The date of closure of the registered of members of the Company regarding the entitlement of final dividend will be published in due course. The proposed final dividend will paid in or before July 2011 following the approval at the forthcoming annual general meeting (the "AGM").

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the audited financial statements for the year ended 31 December 2010. The Audit Committee currently comprises two independent non-executive directors, Mr. Zhao Bin and Mr. Wu Chang Qi and one executive director Mr. Zhang Jian Huai. Mr. Zhao Bin is the chairman of the Audit Committee.

ANNUAL GENERAL MEETING

A notice of AGM will be published and dispatched to shareholders in the manner as required by the Listing Rules in due course.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Nether the Company nor any of its subsidiaries purchased, sales or redeemed any of the Company' listed securities during the year ended 31 December 2010.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information of the annual results of the Company for the year ended 31 December 2010 required by paragraphs 45(1) to 45(8) of Appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

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

Anhui PRC, 24 March 2011

As at the date of this announcement, the Board comprises Ye Shi Qu, Zhang Hu Ming and Zhang Jian Huai as executive directors; Xie Yong Yang and Liu Peng as non-executive directors; and Wu Chang Qi, Zhao Bin and Au Kwok Yee Benjamin as independent non-executive directors.