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 2012

CONTENTS

UNAUDITED KEY OPERATIONAL DATA

Key operational indicators	For the six months ended 30 June 2012 (tonnes)	2011 (tonnes)	Changes (%)
Volume of self-produced products sold	**397,340**	413,830	-4.0%
Volume of sourcing & distribution products sold	**3,280**	8,000	-59.0%
Total sales volume	**400,620**	421,830	-5.0%
Comprising: Export sales	**111,270**	125,000	-11.0%
Total production volume	**397,630**	414,810	-4.1%

COMBINED CONSOLIDATED INCOME STATEMENT

The board of directors (the "**Board**") of Anhui Tianda Oil Pipe Company Limited ("the **Company**") is pleased to present the unaudited results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2012, together with unaudited comparative figures for the six months ended 30 June 2011.

	Notes	**For the six months ended 30 June** **2012** **(Unaudited)** **RMB'000**	2011 (Unaudited Restated) RMB'000
Revenue	3	**2,081,984**	2,363,428
Cost of sales		**(1,990,258)**	(2,155,697)
Gross profit		**91,726**	207,731
Other income and revenue		**4,987**	4,689
Selling and distribution costs		**(57,190)**	(67,216)
Administrative expenses		**(18,898)**	(31,419)
Other expenses		**(1,834)**	(1,827)
Finance costs		**(3,499)**	(20,772)
Profit before tax	4	**15,292**	91,186
Tax	5	**(3,698)**	(22,481)
Profit for the period		**11,594**	68,705
Other comprehensive income			
Other comprehensive income for the period, net of tax		**–**	–
Total comprehensive income for the period, net of tax		**11,594**	68,705
Profit attributable to the owners of the parent		**11,594**	68,705
Total comprehensive income attributable to the owners of the parent		**11,594**	68,705
Earnings per share attributable to ordinary equity holders of the parent			
Basic, earnings for the period (RMB cents)	7	**1.2**	7.6

Details of dividend paid are disclosed in note 6 to the financial statements.

COMBINED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2012 (Unaudited) RMB'000	As at 31 December 2011 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,426,044**	1,445,277
Available-for-sale financial assets	8	**8,000**	–
Prepaid land lease payments		**26,991**	27,317
Deferred tax assets		**2,402**	3,152
Total non-current assets		**1,463,437**	1,475,746
CURRENT ASSETS			
Inventories		**626,007**	634,109
Trade and notes receivables	9	**493,165**	419,777
Prepayments, deposits and other receivables	10	**503,738**	294,670
Derivative financial instruments	11	**–**	3,500
Held-to-maturity investments	12	**–**	15,000
Cash and cash equivalents		**68,307**	125,276
Total current assets		**1,691,217**	1,492,332
CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**61,477**	245,881
Trade and notes payables	13	**566,520**	112,220
Tax payable		**9,241**	13,207
Derivative financial instruments	11	**–**	4,000
Other payables and accruals	14	**229,598**	284,435
Total current liabilities		**866,836**	659,743
NET CURRENT ASSETS		**824,381**	832,589
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,287,818**	2,308,335
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**–**	875
Total non-current liabilities		**–**	875
NET ASSETS		**2,287,818**	2,307,460

	Notes	**As at 30 June 2012 (Unaudited) RMB'000**	As at 31 December 2011 (Audited) RMB'000
EQUITY			
Issued capital		**503,813**	503,813
Reserves		**1,784,005**	1,772,411
Proposed dividend	6	**–**	31,236
TOTAL EQUITY		**2,287,818**	2,307,460

COMBINED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the parent					
	Issued capital RMB'000	Share premium account RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Proposed final dividend RMB'000	Total RMB'000
(Unaudited)						
As at 1 January 2012	**503,813**	**1,002,166**	**100,780**	**669,465**	**31,236**	**2,307,460**
Total comprehensive income for the period	**–**	**–**	**–**	**11,594**	**–**	**11,594**
Final 2011 dividends paid (Note 6)	**–**	**–**	**–**	**–**	**(31,236)**	**(31,236)**
As at 30 June 2012	**503,813**	**1,002,166**	**100,780**	**681,059**	**–**	**2,287,818**
(Unaudited)						
As at 1 January 2011 (Restated)	405,813	447,309	94,397	649,328	25,160	1,622,007
Issue of shares	98,000	554,857	–	–	–	652,857
Total comprehensive income for the period (Restated)	–	–	–	68,705	–	68,705
Final 2010 dividends paid (Note 6)	–	–	–	(6,076)	(25,160)	(31,236)
As at 30 June 2011	503,813	1,002,166	94,397	711,957	–	2,312,333

CONDENSED COMBINED CASH FLOWS STATEMENT

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash flows generated from/(used in) operating activities	**215,732**	(52,504)
Net cash flows used in investing activities	**(56,653)**	(67,758)
Net cash flows generated from/(used in) financing activities	**(216,048)**	247,176
Net increase/(decrease) in cash and cash equivalents	**(56,969)**	126,914
Cash and cash equivalents at beginning of period	**125,276**	49,382
Cash and cash equivalents at end of period	**68,307**	176,296

NOTES

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six-month period ended 30 June 2012 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

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 2011, except for the adoption of the new standards and interpretations as of 1 January 2012, noted below:

IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

The adoption of these new and revised IFRSs had no significant financial effect on these financial statements.

1. BASIS OF PREPARATION (continued)

Issued but not yet effective International Financial Reporting Standards

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

IFRS 1 Amendments	Amendments to IFRS 1 *First-time adoption of International Financial Reporting Standards – Government Loans*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
IFRS 9	*Financial Instruments*[4]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 13	*Fair Value Measurement*[2]
IAS 1 Amendments	*Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
IAS 19 (2011)	*Employee Benefits*[2]
IAS 27 (2011)	*Separate Financial Statement*[2]
IAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
IFRIC Interpretation 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements to IFRSs 2009-2011 Cycle	*Amendments to a number of IFRSs issued in May 2012*[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

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

2. CORRECTION OF AN ACCOUNTING ERROR

As disclosed in the Group's audited financial statements for the year ended 31 December 2011, the Company failed to fulfil the requirement of the Certification Standard for High and New Technology Enterprises ("HNTE") in the PRC and paid the 2010 income tax expense at a tax rate of 25% rather than the preferential HNTE tax rate of 15% in June 2011. Therefore, the income tax expenses for the six months ended 30 June 2011 was overstated by approximately RMB13,236,000. In addition, income tax expense was accrued at the preferential HNTE tax rate of 15% by the Company in its 2010 IFRS financial statements, and therefore the income tax expense for the year 2010 was underprovided or the retained profits as at 1 January 2011 was overstated by approximately RMB13,236,000 because of such change in the tax rate.

The financial statements for six months ended 30 June 2011 have been restated to correct the above error. The effect of the restatement on those financial statements is summarised below.

	2011 RMB'000
Statement of comprehensive income of the Group for the six months ended 30 June	
Decrease in income tax expense	13,236
Statements of changes in equity of the Group for the six months ended 30 June	
Decrease in retained profits as at 1 January 2011	(13,236)
Increased in total comprehensive income for the period	13,236

Due to the retrospective correction of the above accounting errors, which has resulted in the restatement of items in the statements of financial position of the Group and the Company and the consolidated statement of comprehensive income and the consolidated statement of changes in equity of the Group, the related notes affected by the correction have been presented accordingly.

3. REVENUE

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

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sales of goods	**2,084,507**	2,365,328
Less: Government surcharges	**(2,523)**	(1,900)
Revenue	**2,081,984**	2,363,428

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of sales	**1,990,258**	2,155,697
Depreciation	**75,383**	70,325
Amortisation of prepaid land lease payments	**326**	327
Write-down of inventories to net realisable value	**1,000**	–
Research costs	**25**	870
Auditors' remuneration	**–**	–
Staff costs (including directors' and supervisors remuneration):		
– Salaries and other staff costs	**44,591**	44,016
– Contribution to staff social welfare (retirement benefit and others) plans	**6,638**	4,961

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 six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

The major components of income tax expense for the six months ended 30 June 2012 and 30 June 2011 are as follows:

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)/ (Restated)
	RMB'000	RMB'000
Current income tax:		
Current income tax charge	**3,823**	22,481
Deferred income tax:		
Relating to the origination and reversal of temporary differences	**(125)**	–
Income tax expense reported in the income statement	**3,698**	22,481

6. DIVIDENDS

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividend	**31,236**	31,236

The Board does not recommend any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

Pursuant to the resolution of the annual general meeting convened on 22 May 2012, the Group's shareholders approved the proposed final dividend for the year ended 31 December 2011 of RMB31,236,000 (RMB3.1 cents per share) in aggregate to the then shareholders.

7. 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 1,007,626,000 shares (for the six months ended 30 June 2011: 909,626,000 shares) in issue during the period.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2012 (Unaudited) RMB'000	As at 31 December 2011 (Audited) RMB'000
Trust product	**8,000**	–

The expected rate of return of the above trust product is 8.5% and it will mature on 14 August 2013.

9. TRADE AND NOTES RECEIVABLES

	As at 30 June 2012 (Unaudited) RMB'000	As at 31 December 2011 (Audited) RMB'000
Notes receivable from third parties	**149,442**	166,622
Trade receivables from overseas customers	**107,912**	72,894
Trade receivables from domestic customers	**237,643**	182,093
Impairment	**(1,832)**	(1,832)
	493,165	419,777

The balances of notes receivable are unsecured, interest-free and aged in less than six months.

9. TRADE AND NOTES RECEIVABLES (continued)

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.

Included in the Group's trade receivables was VMOG (China) Trading Co., Ltd. ("VMOGC") and its fellow subsidiaries of approximately US$16,859,000 (equivalent to RMB107,141,000) (31 December 2011: US$9,018,000, equivalent to RMB56,819,000). The credit term of these receivables is 45 days.

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 2012 (Unaudited) RMB'000	As at 31 December 2011 (Audited) RMB'000
Outstanding balances with ages:		
Within one year	**341,760**	254,987
Between one and two years	**3,795**	–
Between two and three years	**–**	–
Over three years	**–**	–
	345,555	254,987

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2012 (Unaudited) RMB'000	As at 31 December 2011 (Audited) RMB'000
Prepayments	**287,408**	147,475
Deposits and other receivables	**216,330**	147,100
Bank interests receivable	**–**	95
	503,738	294,670

As at 30 June 2012, the Group did not write off any unrecoverable prepayments and other receivables (31 December 2011: RMB127,000).

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

Included in the Group's and the Company's deposits and other receivables were (i) the time deposits of RMB88,095,000 (31 December 2011: RMB10,071,000) pledged to the banks to secure the bank accepted drafts and letters of credit; and (ii) the net input value-added tax of RMB114,639,000 (31 December 2011: RMB125,934,000) arising from the purchase of property, plant and equipment and materials after deducting the output value-added tax for domestic sales.

11. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2012 (Unaudited) RMB'000	As at 31 December 2011 (Audited) RMB'000
Foreign exchange forward contracts – assets		
– current portion	**–**	3,500
Foreign exchange forward contracts – liabilities		
– current portion	**–**	(4,000)

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

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

As at 31 December 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 – Assets	–	3,500	–	3,500
Derivative financial instruments – Liabilities	–	(4,000)	–	(4,000)

As at 30 June 2012, the Group did not hold any assets and liabilities measured at fair values.

12. HELD-TO-MATURITY INVESTMENT

	As at 30 June 2012 (Unaudited) RMB'000	As at 31 December 2011 (Audited) RMB'000
Investment on bank financial products, at amortised cost	**–**	15,000

The above investment bore interest at a fixed interest rate of 5.3% and matured on 6 January 2012. As at 30 June 2012, the Group did not hold any held-to-maturity investment.

13. TRADE AND NOTES PAYABLES

	As at 30 June 2012 (Unaudited) RMB'000	As at 31 December 2011 (Audited) RMB'000
Notes payable to third parties	**456,991**	31,471
Trade payables to third parties	**109,529**	80,749
	566,520	112,220

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

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 2012 (Unaudited) RMB'000	As at 31 December 2011 (Audited) RMB'000
Outstanding balances with ages:		
Within one year	**562,496**	106,583
Between one and two years	**712**	2,074
Between two and three years	**928**	801
Over three years	**2,384**	2,762
	566,520	112,220

14. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals as at 30 June 2012 was payable of RMB575,000 due to VMOGC (31 December 2011: RMB525,000) and amount due to Anhui Tianda Enterprise (Group) Company Limited ("Tianda Holding") and its subsidiaries of RMB636,000 (31 December 2011: RMB393,000).

15. RELATED PARTY TRANSACTION

The Group had the following material transactions with related parties during the period:

	For the six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Sales of oil pipes to VMOGC and its fellow subsidiaries (note i)	**328,500**	3,471
Purchase of service from VMOGC (note ii)	**575**	350
Purchases of water from Tianda Holding (note iv)	**247**	278
Purchase of materials from fellow subsidiaries (note iii)	**341**	250
Lease of a dormitory from Tianda Holding (note v)	**48**	48

Notes:

(i) The sales were conducted based on mutually agreed terms with reference to market prices, after deducting the agreed commission fees.

(ii) These transactions were carried out based on the agreement between the Group and VMOGC.

(iii) These transactions were carried out (mainly for purchase of packaging bags) based on mutually agreed terms with reference to market prices, as agreed between the Group and the fellow subsidiaries which are controlled by Tianda Holding.

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

(v) Pursuant to the dormitory lease agreement entered into with Tianda Holding, the Group paid an annual rent of RMB96,200 for the years from 1 January 2012 to 31 December 2014.

Details of the Company's trade receivables balance with VMOGC and its fellow subsidiaries as at 30 June 2012 and other payables balance with VMOGC and Tianda Holding and its subsidiaries are disclosed in notes 9 and 14 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2012, the Group's unaudited total revenue was approximately RMB2,081,984,000 (six months ended 30 June 2011: approximately RMB2,363,428,000), representing a decrease of approximately RMB281,444,000 or 11.9% over the same period of the previous year. The decrease was mainly attributable to the increase in production capacity, weak demand and fierce competition of specialized pipes industry during the period, resulting in decreases in the Group's sales volume and average selling prices by 5.0% and 7.2%, respectively, over the same period of previous year.

Gross profit of the Group for the six months ended 30 June 2012 was approximately RMB91,726,000 and the gross profit margin was 4.4% (six months ended 30 June 2011: approximately RMB207,731,000, gross profit margin was 8.8%). Gross profit decreased by RMB116,005,000 or 55.8% when compared with the same period of previous year and the decrease in gross profit margin was mainly due to (1) the imbalance of supply and demand in the specialised pipes industry made competition more fiercer and the selling price of the product declined to a greater extent than the declines in price of raw materials and other costs; (2) in addition to North America and the European Union, certain South American countries have also implemented anti-dumping policies on seamless steel pipes produced by China. The political situation in the Middle East and North Africa continued unrest. These factors affected the export sales of the Group's products. Export sales volume declined from 125,000 tons for the same period of previous year (the percentage of export sales volume to total sales volume of approximately 29.6%) to 111,260 tons for this period (the percentage of export sales volume to total sales volume approximately 27.8%).

The Group's selling and distribution costs for the six months ended 30 June 2012 amounted to approximately RMB57,190,000, accounting for 2.75% of the sales revenue for the current period (six months ended 30 June 2011: approximately RMB67,216,000, accounting for 2.84% of the then sales revenue). Compared with the same period of previous year, the selling and distribution costs, as well as the percentage of selling and distribution costs to sales revenue, were decreased. Such decrease was mainly due to reduction of variable costs like transportation costs as a result of the decrease in total product sales volume, and due to the strengthening of the management efficiency of the Group and reduction in the fixed selling expenses.

For the six months ended 30 June 2012, the administrative expenses of the Group were approximately RMB18,898,000 (six months ended 30 June 2011: approximately RMB31,419,000). Administrative expenses dropped by approximately RMB12,521,000 or 39.9% 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 2012, the Group's finance cost was approximately RMB3,499,000 (six months ended 30 June 2011: approximately RMB20,772,000), representing a decrease of RMB17,273,000 or 83.2% over the same period of previous year. This was mainly because the Group strengthened management efficiency as to improvement in cashflow which resulted in the decrease in bank borrowing compared to the same period of previous year and further reduced the finance cost.

The Group's profit for the six months ended 30 June 2012 was approximately RMB11,594,000 (six months ended 30 June 2011: approximately RMB68,705,000), representing a decrease of RMB57,111,000 or 83.1% over the same period of previous year. This was mainly attributable to the decrease in Group's revenue and gross profit margin as mentioned above, whereas enterprise income tax was calculated at the rate of 25% (25% for the same period of previous year).

Inventory level as at 30 June 2012 of the Group was approximately RMB626,007,000 which remained more or less constant with that as at 31 December 2011 of approximately RMB634,109,000, but was significantly decreased from that as at 30 June 2011 of approximately RMB959,913,000. During the period under review, raw materials accounted for 27.7% of the inventories, finished products and semi-finished products (including the so-called "plain pipes" which have not passed though threading processing) accounted for 60.9% and the remaining was accessories and work-in-progress. Average inventory turnover for the six months 30 June 2012 was 57 days (Six months ended 30 June 2011: average of 67 days, Year ended 31 December 2011: average of 53 days). The Company strictly controlled the inventory level and percentage of raw materials and finished products to be within a reasonable production cycle.

Net assets of the Group as at 30 June 2012 was approximately RMB2,287,818,000 (31 December 2011: approximately RMB2,307,460,000). Net asset per share as at 30 June 2012 was approximately RMB2.27 (31 December 2011: approximately RMB2.29). Both net assets and net asset per share were decreased as the Group paid the 2011's final dividend of RMB3.1 cents per share during the period and the Group's profit was decreased during the period.

OPERATIONS REVIEW

Facing various adverse factors like persistent increase in production capacity of specialised pipe industry in China, turbulent external environment, weak demand, the prevalence of trade protectionism, the Group was committed to operating stably, controlling risks, optimizing product and customer base structure, co-operating commercially with leading enterprises in the world, laying a solid foundation for development, maintaining and seizing the opportunity to pre-empt the development of capacity in the first half of 2012.

For the six months ended 30 June 2012, the Group's total production volume was 397,630 tonnes, represented a decrease by approximately 4.1% over the same period of previous year. Such decrease was mainly because the intensive maintenance of production equipment over-run and resulted in the production volume in the first quarter being lower than expected.

For the six months ended 30 June 2012, as regards domestic market, the Group continued to fortify strategic cooperation with China's four oil giants as well as large-scaled boiler factories and shipyards in China to achieve sales of all kinds of specialised pipe of 289,360 tonnes representing a decrease of approximately 2.5% on year-on-year basis. For overseas markets, the Group has overcome the adverse impacts of anti-dumping policies implemented by certain countries and regions, continued to expand and consolidate the emerging markets in Africa, South America, Southeast Asia and the Middle East, as well as cooperated with VALLOUREC in respect of overseas sales of oil well pipe. Export sales volume amounted to 111,260 tonnes, representing a decrease of 11.0% over the same period of previous year. As regards the overseas sales mix, the sales of oil well pipe through VALLOUREC amounted to 51,470 tonnes whilst other specialised pipe products of 59,790 tonnes were sold by the Group.

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 during the period under review, the Group applied its manufacturing technology of oil well pipes into the development of other specialised tubes, like 09CrCuSb (ND steel) boiler-used specialized tube which is resistance to sulfuric acid corrosion, 15Mo3 boiler-used alloy tube, L245NCS anti-H2S corrosion line pipe.

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 had in-depth research on shale gas mining environment and mining technology, continued to carry out research and development on high-grade steel and corrosion resistant oil well pipe products that are suitable for exploitation of shale gas and other unconventional natural gas and under adverse geological environment. During the period under review, under the guidance of experts sent by VALLOUREC, the Group had supplied special threaded high-grade steel oil well pipes in the domestic market.

The Group's research and development work not only is recognized by customers, but also receive the reward and support from government departments. During the period under review, the Group's Chief Engineer, Zhang Chunxiang, was selected as model worker in Anhui Province. Looking ahead, the Group will continue to focus on the development of more high-end products which fit for the market demand.

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 2012, the Group's cash and bank deposits amounted to approximately RMB68,307,000 (31 December 2011: approximately RMB125,276,000). As at 30 June 2012, the Group's interest bearing loans and borrowings amounted to approximately RMB61,477,000 (31 December 2011: approximately RMB245,881,000). There is no particular seasonality of the Group's borrowings.

The Group's gearing ratio as at 30 June 2012 was approximately 2.0% (31 December 2011: approximately 8.3%), which is a percentage based on the interest-bearing loans and borrowings divided by total assets.

CHARGES ON ASSETS

Except as detailed in note 10, as at 30 June 2012, there is no other property, plant and equipment as well as bank deposits pledged to obtain bank financing.

SIGNIFICANT INVESTMENTS HELD

The expected investment in the Group's projects in progress of logistics workshop and technical reform on the production line of high-grade oil well pipe was RMB95, 000,000 and RMB120,000,000, respectively. Up to 30 June 2012, the Group had entered into contracts for the above projects with the aggregated contract value of approximately RMB110,000,000 and had paid sum of approximately RMB67,000,000.

Except the above, during the six months ended 30 June 2012, 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 2012.

CONTINGENT LIABILITIES

As at 30 June 2012, 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.

SEGMENTAL INFORMATION

1. **Self-produced specialized pipes**

   For the six months ended 30 June 2012, the sales volume of the Group's self-produced specialized pipes was approximately 397,340 tonnes (six months ended 30 June 2011: approximately 413,830 tonnes), representing a decrease of approximately 4.0% as compared with the same period of the previous year.

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

   Apart from self-produced specialized seamless pipes to 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 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 2012, the sales volume of the specialized pipes that the Group purchased and distributed was approximately 3,280 tonnes (six months ended 30 June 2011: approximately 8,000 tonnes). Compared to the same period of previous year, the sales volume of those products was diminished by approximately 59.0%. 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 2012, the Group had 2,063 employees (31 December 2011: 2,129 employees). For the six months ended 30 June 2012, the Group had 2,052 employees on average (For the six months ended 30 June 2011: 1,934 employee on average). 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.

EVENTS AFTER REPORTING DATE

The Group did not have any significant event from the reporting date as at 30 June 2012 to the date of this report.

PROSPECTS

Following slow-down of growth in the industry's production capacity and gradual recovery of the economy, the specialized pipe industry will maintain steady growth in medium or long term.

The Group will work together with VALLOUREC to meet market demand, continue to dig out the potential of high-grade oil well pipe production line, increase the intensity of product development, expand the product applications, improve product quality and added-value; actively explore new model and ideas for future business development with strategic partners, and keep the company healthy and stable development.

DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS

For the six months ended 30 June 2012, 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.

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

As at 30 June 2012, the interest of the directors, supervisors and chief executive 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) 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 RMB0.5 each of the Company

Name of Directors or Supervisors	Number of shares	Nature of Interest	notes	Percentage of total number of Shares in Issue (%)
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 RMB0.5 each of the Company

Name of Directors or Supervisors	Number of shares	Nature of Interest	notes	Percentage of total number of Shares in Issue (%)
Ye Shi Qu	864,000,000 (L)	Interest in controlled Corporation and Concert parties	(2), (3)	85.75%
	173,000 (L)	Interest in controlled corporation	(4)	0.02%
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

Beneficial interest

Name of Company	Name of Director or Supervisor	Beneficial Interest/ 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	RMB198,985,900	Beneficial owner		85.14%
Tianda Investment	Ye Shi Qu	RMB50,000,000	Interest in controlled corporation	(1), (2)	100%
Tiancheng Changyun	Ye Shi Qu	HK$46,681,980	Interest in controlled corporation	(1), (2)	100%
Tianda Holding	Zhang Hu Ming	RMB9,166,700	Beneficial owner		3.92%
Tianda Holding	Geng Wei Long	RMB473,200	Beneficial owner		0.20%

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.

4. Apart from paragraph (2) above, Tianda Holding holds additional 173,000 H shares with long position through an interest in controlled corporation. Accordingly, Ye Shi Qu is deemed to be interested in those additional 173,000 H shares with long position in the Company.

Other than 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 2012.

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

So far as the directors or chief executive of the Group are aware, as at 30 June 2012, 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 RMB0.5 each of the Company

Name of Substantial Shareholders	Number of shares	Nature of Interest	notes	Percentage of total number of issued domestic shares (%)	Percentage of total number of Shares in Issue (%)
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

H shares of RMB0.5 each of the Company

Name of Substantial Shareholders	Number of Shares	Nature of interest	notes	Percentage of total number of issued H shares (%)	Percentage of total number of Shares in Issue (%)
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%
	173,000 (L)	Interest in controlled corporation	(5)	0.03%	0.02%
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%
	173,000 (L)	Interest in controlled corporation	(5)	0.03%	0.02%
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	(6)	8.05%	3.98%
Templeton Asset Management, Ltd.	69,679,493 (L)	Investment Manager		14.00%	6.92%
JPMorgan Chase & Co.	29,000 (L)	Beneficial owner		6.20%	3.06%
	30,834,841 (L)	Custodian corporation/ approval lending agent			
	30,863,841 (L)				
Deutsche Bank Aktiengesellschaft	11,772,489 (L)	Beneficial owner		8.30%	4.10%
	12,769,000 (L)	Having a security interest in shares			
	16,752,000 (L)	Custodian corporation/ approval lending agent			
	41,293,489 (L)				
	11,769,626 (S)	Beneficial owner		2.37%	1.17%

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

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. Apart from paragraph (3) above, Tianda Holding holds additional 173,000 H shares with long position through an interest in controlled corporation. Accordingly, Tianda Holding is deemed to be interest in those additional 173,000 H shares with long position in the Company.

6. 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 2012, 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 2012 in the register required to be kept by the Group under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Group has not purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2012.

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 2012. 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, 23 August 2012

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 Bruno Saintes; and three independent non-executive Directors: Wu Chang Qi, Zhao Bin and Wang Bo.