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 2013

CONTENTS

UNAUDITED KEY OPERATIONAL DATA

Key operational indicators	For the six months ended 30 June 2013 (tonnes)	2012 (tonnes)	Changes (%)
Volume of self-produced products sold	**370,890**	397,340	-6.7%
Volume of sourcing & distribution products sold	**3,030**	3,280	-7.6%
Total sales volume	**373,920**	400,620	-6.7%
Total production volume	**384,830**	397,630	-3.2%

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 2013, together with unaudited comparative figures for the six months ended 30 June 2012.

	Notes	**For the six months ended 30 June** **2013** **(Unaudited)** **RMB'000**	2012 (Unaudited, Restated) RMB'000
Revenue	3	**1,689,694**	2,098,476
Cost of sales		**(1,582,190)**	(1,990,258)
Gross profit		**107,504**	108,218
Other income and revenue		**2,948**	4,987
Selling and distribution costs		**(67,692)**	(73,682)
Administrative expenses		**(19,238)**	(18,898)
Other expenses		**(712)**	(1,834)
Finance costs		**(7,352)**	(3,499)
Profit before tax	4	**15,458**	15,292
Tax	5	**(3,899)**	(3,698)
Profit for the period		**11,559**	11,594
Other comprehensive income			
Available-for-sale financial assets:			
Fair value change		**(425)**	–
Tax effect		**106**	–
Total other comprehensive income for the period, net of tax		**(319)**	–
Profit attributable to the owners of the parent		**11,559**	11,594
Total comprehensive income attributable to the owners of the parent		**11,240**	11,594
Earnings per share attributable to ordinary equity holders of the parent			
Basic, earnings for the period (RMB cents)	7	**1.15**	1.15

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

COMBINED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2013 (Unaudited) RMB'000	As at 31 December 2012 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,365,709**	1,396,253
Prepaid land lease payments		**26,338**	26,664
Deferred tax assets		**2,065**	1,706
Total non-current assets		**1,394,112**	1,424,623
CURRENT ASSETS			
Inventories		**581,550**	502,559
Trade and notes receivables	8	**456,431**	521,905
Prepayments, deposits and other receivables	9	**245,343**	180,460
Tax receivable		**2,403**	5,419
Derivative financial instruments	10	**–**	2,621
Held-to-maturity investments	11	**29,000**	–
Available-for-sale financial assets	12	**8,255**	8,680
Cash and cash equivalents		**238,355**	42,572
Total current assets		**1,561,337**	1,264,216
CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**–**	7,486
Trade and notes payables	13	**397,286**	103,609
Other payables and accruals	14	**266,339**	265,924
Total current liabilities		**663,625**	377,019
NET CURRENT ASSETS		**897,712**	887,197
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,291,824**	2,311,820
NET ASSETS		**2,291,824**	2,311,820

COMBINED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	As at 30 June 2013 (Unaudited) RMB'000	As at 31 December 2012 (Audited) RMB'000
EQUITY			
Issued capital		**503,813**	503,813
Reserves		**1,788,011**	1,776,771
Proposed dividend	6	**–**	31,236
TOTAL EQUITY		**2,291,824**	2,311,820

COMBINED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the parent						
	Issued capital RMB'000	**Share premium account** RMB'000	**Available-for-sale investments revaluation reserve** RMB'000	**Statutory surplus reserve** RMB'000	**Retained earnings** RMB'000	**Proposed final dividend** RMB'000 (Note 5)	**Total** RMB'000
As at 1 January 2013	**503,813**	**1,002,166**	**510**	**104,289**	**669,806**	**31,236**	**2,311,820**
Profit for the period	**–**	**–**	**–**	**–**	**11,559**	**–**	**11,559**
Other comprehensive income for the period:							
Fair value change of available-for-sales financial assets, net of tax	**–**	**–**	**(319)**	**–**	**–**	**–**	**(319)**
Total comprehensive income for the period	**–**	**–**	**(319)**	**–**	**11,559**	**–**	**11,240**
Final 2012 dividends declared (Note 6)	**–**	**–**	**–**	**–**	**–**	**(31,236)**	**(31,236)**
As at 30 June 2013 (Unaudited)	**503,813**	**1,002,166**	**191**	**104,289**	**681,365**	**–**	**2,291,824**
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 (Unaudited)	503,813	1,002,166	–	100,780	681,059	–	2,287,818

CONDENSED COMBINED CASH FLOWS STATEMENT

	For the six months ended 30 June	
	2013 **(Unaudited)** **RMB'000**	2012 (Unaudited) RMB'000
Net cash flows generated from operating activities	**257,312**	215,732
Net cash flows used in investing activities	**(54,699)**	(56,653)
Net cash flows used in financing activities	**(6,830)**	(216,048)
Net increase/(decrease) in cash and cash equivalents	**195,783**	(56,969)
Cash and cash equivalents at beginning of period	**42,572**	125,276
Cash and cash equivalents at end of period	**238,355**	68,307

NOTES

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the six-month period ended 30 June 2013 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 2012.

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 2012, except for the adoption of the new standards and interpretations as of 1 January 2013, noted below:

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

The amendment IAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to IAS 1* that became effective as of 1 July 2012 is also applied by the Group for the first time in the interim condensed consolidated financial statements.

1. BASIS OF PREPARATION (continued)

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

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

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 9	*Financial Instruments*[2]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment Entities*[1]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
IAS 36 Amendments	*Impairment of Assets*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC Interpretation 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 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. RECTIFICATION OF ERRORS MADE IN PRIOR PERIOD

The Company's freight charges and insurance expenses in relation to sales made on basis of CIF and CRF were recorded on "net of sales" basis in the interim report for the six months ended 30 June 2012. Those expenses were re-designated as part of revenue in the 2012's audited annual report by auditors, and were recorded as revenue and selling and distribution costs on gross basis. Therefore, the relevant data in the interim report for the six months ended 30 June 2012 was adjusted accordingly in conformity with the data for the same period of 2013.

2. RECTIFICATION OF ERRORS MADE IN PRIOR PERIOD (continued)

For the above errors, the financial data stated in this report for six months ended 30 June 2012 had been restated, and the effects on the financial statements are summarized as follows:

Combined consolidated income statements:

	For six months ended 30 June 2012 RMB'000
Revenue	16,492
Selling and distribution costs	(16,492)
Effect on net profit	–

The retrospective adjustment of the above errors did not have other material impacts on the financial statements of the Group and the Company.

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	
	2013 **(Unaudited)** **RMB'000**	2012 (Unaudited, Restated) RMB'000
Sales of goods	**1,689,694**	2,100,999
Less: Government surcharges	**–**	(2,523)
Revenue	**1,689,694**	2,098,476

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of sales	**1,582,190**	1,990,258
Depreciation	**77,887**	75,383
Amortisation of prepaid land lease payments	**326**	326
Write-down of inventories to net realisable value	**1,010**	1,000
Research costs	**–**	25
Auditors' remuneration	**–**	–
Staff costs (including directors' and supervisors remuneration):		
– Salaries and other staff costs	**47,273**	44,591
– Contribution to staff social welfare (retirement benefit and others) plans	**7,077**	6,638

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 2013 (six months ended 30 June 2012: Nil).

The major components of income tax expense for the six months ended 30 June 2013 and 30 June 2012 are as follows:

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current income tax:		
Current income tax charge	**4,152**	3,823
Deferred income tax:		
Relating to the origination and reversal of temporary differences	**(253)**	(125)
Income tax expense reported in the income statement	**3,899**	3,698

6. DIVIDENDS

	For the six months ended 30 June	
	2013	2012
	(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 2013 (six months ended 30 June 2012: Nil).

Pursuant to the resolution of the annual general meeting convened on 22 May 2013, the Group's shareholders approved the proposed final dividend for the year ended 31 December 2012 of RMB31,236,406 (RMB3.1 cents per share) in aggregate to the then shareholders. The dividend payment date was 3 July 2013.

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 2012: 1,007,626,000 shares) in issue during the period.

8. TRADE AND NOTES RECEIVABLES

	As at 30 June 2013	As at 31 December 2012
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Notes receivable from third parties	**87,394**	211,201
Trade receivables from overseas customers	**51,375**	64,585
Trade receivables from domestic customers	**317,662**	246,250
Impairment	**–**	(131)
	456,431	521,905

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

8. 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 RMB70,343,000 (31 December 2012: approximately RMB66,250,000). 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 2013 (Unaudited) RMB'000	As at 31 December 2012 (Audited) RMB'000
Outstanding balances with ages:		
Within one year	**369,037**	310,704
Between one and two years	**–**	131
	369,037	310,835

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2013 (Unaudited) RMB'000	As at 31 December 2012 (Audited) RMB'000
Prepayments	**114,680**	103,160
Deposits and other receivables	**130,663**	77,297
Bank interests receivable	**–**	22
Impairment	**–**	(19)
	245,343	180,460

As at 30 June 2013, the Group did not write off any unrecoverable prepayments and other receivables (31 December 2012: Nil).

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.

The prepayment of the Group and the Company mainly represented prepayment made to suppliers for purchases of raw materials. As at 30 June 2013, the Group's prepayment mainly represented the prepayment made for strategic purchases for the purposes of managing the raw material pricing.

Included in the Group's and the Company's deposits and other receivables were (i) the time deposits of RMB61,035,000 (31 December 2012: RMB2,637,000) pledged to the banks to secure the bank accepted drafts and letters of credit; and (ii) the net input value-added tax of RMB63,995,000 (31 December 2012: 72,157,000) arising from the purchase of property, plant and equipment and materials after deducting the output value-added tax for domestic sales.

10. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2013 (Unaudited) RMB'000	As at 31 December 2012 (Audited) RMB'000
Foreign exchange forward contracts – assets – current portion	**–**	2,621
Foreign exchange forward contracts – liabilities – current portion	**–**	–

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 2012, 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	–	2,621	–	2,621
Derivative financial instruments – Liabilities	–	–	–	–

As at 30 June 2013, the Group did not hold any assets and liabilities measured at fair values.

11. HELD-TO-MATURITY INVESTMENT

	As at 30 June 2013 (Unaudited) RMB'000	As at 31 December 2012 (Audited) RMB'000
Investment on bank financial products, at amortised cost	**29,000**	–

The above investment included two financial products items which bore interest at a fixed interest rate of 4% and 6.1%, respectively, and matured on 8 July 2013 and 11 July 2013, respectively (31 December 2012: Nil).

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2013 (Unaudited) RMB'000	As at 31 December 2012 (Audited) RMB'000
Trust product, at fair value	**8,255**	8,680

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

13. TRADE AND NOTES PAYABLES

	As at 30 June 2013 (Unaudited) RMB'000	As at 31 December 2012 (Audited) RMB'000
Notes payable to third parties	**275,609**	2,637
Trade payables to third parties	**121,677**	100,972
	397,286	103,609

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 2013 (Unaudited) RMB'000	As at 31 December 2012 (Audited) RMB'000
Outstanding balances with ages:		
Within one year	**355,898**	94,379
Between one and two years	**32,158**	5,477
Between two and three years	**6,004**	1,163
Over three years	**3,226**	2,590
	397,286	103,609

14. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2013 (Unaudited) RMB'000	As at 31 December 2012 (Audited) RMB'000
Advances from customers	**64,238**	59,933
Payroll payables	**31,009**	51,523
Dividend payable	**31,236**	–
Other payables	**136,856**	154,468
	266,339	265,924

As at 30 June 2013, the amount due to VMOG China was RMB837,500 (31 December 2012: Nil).

Dividend payable was paid on 3 July 2013.

Except for dividend payable, all the balances of other payables and accruals were unsecured, interest-free and had no fixed term of repayment as at the end of the reporting period.

15. RELATED PARTY TRANSACTION

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

	For the six months ended 30 June	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Sales of oil pipes to VMOGC and its fellow subsidiaries (note i)	**224,726**	328,500
Purchase of service from VMOGC (note ii)	**575**	575
Third-party testing fee paid by VMOGC on behalf (note ii)	**550**	–
Purchases of water from Tianda Holding (note iv)	**233**	247
Purchase of materials from fellow subsidiaries (note iii)	**160**	341
Lease of a dormitory from Tianda Holding (note v)	**48**	48

15. RELATED PARTY TRANSACTION (continued)

Notes:

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

(ii) The service fee paid to VMOGC and the third-party testing fee paid by VMOGC on behalf were 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 2013 and other payables balance with VMOGC and Tianda Holding and its subsidiaries are disclosed in notes 8 and 13 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six month period ended 30 June 2013, the Group's unaudited total revenue was approximately RMB1,689,694,000 (six months ended 30 June 2012: approximately RMB2,098,476,000), representing a decrease of approximately RMB408,782,000 or approximately 19.5% over the same period of the previous year. The decrease was mainly attributable to the decrease in average selling price per tonne of product by approximately 13.7% as a result of decrease in pricing of raw material and the increase in production capacity of specialized pipes industry and the weak demand leading to the decreases in sales volume by approximately 6.7% over the same period of the previous year.

Gross profit of the Group for the six months ended 30 June 2013 was approximately RMB107,504,000 and gross profit margin was approximately 6.4% (six months ended 30 June 2012: approximately RMB108,218,000, gross profit margin approximately 5.2%). Gross profit for the six months ended 30 June 2013 was decreased by RMB714,000 or approximately 0.7% over the same period of previous year mainly due to the decrease in sales volume. However, the Group's gross profit margin was increased by approximately 1.2% over the same period of previous year, which was mainly attributable to the fact that (i) the increase in ratio of export of products and domestic sales of specialized threaded OCTG products after the Group optimized the product structure and customer base structure (for six months ended 30 June 2013, the Group's sales volume of export and the domestic sales of specialised threaded OCTG products accounted for approximately 29.1% of the sales volume, representing an increase of approximately 1.3% over the same period of previous year); and (ii) the Group continues to explore the potential to further improve the management level, making the decline in average production cost to a greater extent than the decline in average selling price of products for this period.

The Group's selling and distribution costs for the six months ended 30 June 2013 amounted to approximately RMB67,692,000 (six months ended 30 June 2012: approximately RMB73,682,000), representing a decrease over the same period of previous year. The decrease was mainly due to the decrease in the transportation expenses as a result of decrease in the sales volume during this period.

The Group's administrative expenses for the six months ended 30 June 2013 amounted to approximately RMB19,238,000 (six months ended 30 June 2012: approximately RMB18,898,000), representing an increase of approximately RMB340,000 or approximately 1.8% over the same period of previous year. The increase was mainly due to the increase in the cost of labour.

The Group's finance cost for the six months ended 30 June 2013 amounted to approximately RMB7,352,000 (six months ended 30 June 2012: approximately RMB3,499,000), representing an increase of approximately RMB3,853,000 or approximately 110.1% over the same period of previous year. The increase was mainly due to the increase in exchange loss as a result of depreciation in exchange rate between US dollars against RMB during this period.

The Group's net profit attributable to owners of the parent company for the six month ended 30 June 2013 was approximately RMB11,559,000 (six months ended 30 June 2012: approximately RMB11,594,000), representing a decrease of RMB35,000 or approximately 0.3% over the same period of previous year. The decrease was mainly attributable to decrease in the Group's realized gross profit margin when compared to the same period of previous year. During this period, the Group's corporate income tax was accounted for at a tax rate of 25% (six months ended 30 June 2012: 25%).

The Group's inventories as at 30 June 2013 were approximately RMB581,550,000 (31 December 2012: approximately RMB502,559,000), representing an increase of approximately RMB78,991,000 as compared with the beginning of this period or a decrease of approximately RMB44,457,000 when compared with the inventories level of approximately RMB626,007,000 as at 30 June 2012. During the period under review, raw materials accounted for approximately 39.3% of the total inventories, finished products and semi-finished products (including the so-called "plain pipes" which have not passed through threading processing) accounted for approximately 50.7% and the remaining was accessories and work-in-progress. Average inventories turnover for six months ended 30 June 2013 was 63 days. The Company strictly controlled the inventory level and percentage of raw materials and finished products to be within a reasonable production cycle.

The Group's trade and notes receivable as at 30 June 2013 was approximately RMB456,431,000 (31 December 2012: approximately RMB521,905,000). Average turnover of trade receivable for six months ended 30 June 2013 was 37 days. Benefiting from the strict internal management system, assessment policy and effective supply chain management, the Group's financial risk control maintains at a healthy level.

The Group's net assets as at 30 June 2013 were approximately RMB2,291,824,000 (31 December 2012: approximately RMB2,311,820,000). The net assets per share as at 30 June 2013 were approximately RMB2.27 (31 December 2012: approximately RMB2.29).

OPERATIONS REVIEW

In response to the unfavourable situations like external economic environment unrest, industry over-capacity, trade protectionism in the first half of 2013, the Group is committed to technological innovation, optimizing product mix and customer base structure, controlling operational risks, having commercial cooperation with world-class enterprises, in order to lay the foundation for development and strengthen the ability to seize the opportunity for development.

The Group's products are mainly oil well pipes, oil and gas pipelines, boiler tubes, marine tubes, axle tubes and many others with various specifications applicable for energy, chemical industry, machinery manufacturing and other industries. For six months ended 30 June 2013, the Group achieved a total production volume of approximately 384,830 tons, representing a decrease of approximately 3.2% compared to the same period of previous year. The decrease was mainly due to the short-term suspension of high-graded oil well pipe production line for implementation of technological innovation.

During the period under review, the Group focused on technological innovation of the oil well pipe production line, by updating certain production equipment and improving the production process, to increase the maximum specifications of the product from ϕ273mm to ϕ340mm. The transformation project was successfully completed in April 2013 and put into production, which enhance the oil well pipe production line production capacity and improve the product structure.

For six months ended 30 June 2013, in the domestic market, the Group continued to consolidate the strategic co-operation relationship with China's four major oil companies as well as large boilers, ships manufacturers and actively participated in tenders organised by oil companies. The Group successfully won the bid of orders for 110,000 tons of API fluorescent tubes from China National Petroleum Corporation, the bid for 32,000 tons finished tube (containing 4,000 tons VAM® specialised threaded products) from China National Offshore Oil Corporation with cooperation of VALLOUREC.

For six months ended 30 June 2013, in overseas markets, the Group has overcome unfavorable factors like the anti-dumping policies from certain countries and regions, and continued to develop and consolidate emerging markets such as Africa, South America, Southeast Asia and the Middle East. In February 2013, the Group successfully passed the assessment of market access qualifications of TOTAL Company of France, marking that the Group's products meet the requirement of pipes applicable for shale gas extraction set out by TOTAL and laying the foundation for providing supply services and getting accreditation from other reputable oil field companies in future.

For six months ended 30 June 2013, in the guidance of experts of VALLOUREC on site, the Group supplied approximately 1,800 tonnes of high-graded oil well pipes (specialised spiral threaded OCTG products) to domestic market.

The Group closely monitors changes in customer demand, and constantly develops new products to meet market demand. During the period under review, the Group had an in-depth research on shale gas exploration environment and extraction technology, continue to develop high-graded steel, corrosion resistant OCTG products for shale gas and other unconventional gas exploration and adaptive to different adverse geological environment. Meanwhile, taking advantage of OCTG well-developed production technology, the Group successfully developed 09MnNiD cryogenic pressure vessel tubes, nuclear power control chrome pipes and other new products, and obtained a patent named as a special thread casing coupling precision manufacturing method.

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 2013, the Group's cash and cash equivalents amounted to approximately RMB238,355,000 (31 December 2012: approximately RMB42,572,000). As at 30 June 2013, the Group did not have any interest-bearing loans and borrowings (31 December 2012: approximately RMB7,486,000).

The Group's gearing ratio as at 30 June 2013 was nil (31 December 2012: approximately 0.3%), which is a percentage based on the interest-bearing loans and borrowings divided by total assets.

CHARGES ON ASSETS

Save as those disclosed in note 9, as at 30 June 2013, none of the Group's property, plant and equipment and bank deposits were pledged for securing banking facilities.

SIGNIFICANT INVESTMENTS

The Group's high-graded oil well pipe production line technological transformation project was put into operation in April 2013. Chuzhou staff dormitory project is still in the surveying process. On 22 March 2013, the Group's Board of Directors approved the resolution in relation to investment of approximately US$3,000,000 prior to September 2014 for purchase of new testing equipments.

To streamline the organization and save expenses, on 22 March 2013, the Group's Board of Directors approved the resolution in respect of de-registration of New Tiancheng International Limited, a wholly-owned subsidiary of the Company incorporated in Singapore. Up to the date of this report, the de-registration procedures are in process.

Apart from the above, the Group had no other significant investments for the six months ended 30 June 2013.

MAJOR ACQUISITION AND DISPOSAL

The Group did not make any major acquisition or disposal during the six months ended 30 June 2013.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE RISK

Generally, when the Group sells its products to overseas customers, customers settle 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. Normally, the Group will sell the non-function currencies immediately to banks upon receipt.

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

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.

PRODUCT INFORMATION

1. **Self-produced specialized pipes**

   For the six months ended 30 June 2013, the sales volume of the Group's self-produced specialized pipes was approximately 370,890 tonnes (six months ended 30 June 2012: approximately 397,340 tonnes), representing a decrease of approximately 6.7% when compared to the same period of 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.

For the six months ended 30 June 2013, the sales volume of the Group's sourcing and distribution of specialized pipes was approximately 3,030 tonnes (six months ended 30 June 2012: approximately 3,280 tonnes). When compared to the same period of previous year, the sales volume of the sourcing and distribution of specialized pipes was diminished by approximately 7.6%. 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 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 30 June 2013, the Company had 1,898 employees (as at 31 December 2012: 1,990 employees). For the six months ended 30 June 2013, the Group had 1,955 employees on average (for the six months ended 30 June 2012: 2,052 employees on average). 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.

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

For enhancing the promotion on internet, the Group changes its website from www.td-gg.com to www.tiandapipe.com, with effect from 1 September 2013.

Apart from above, the Group did not have any significant event from the reporting date as at 30 June 2013 to the date of this report.

FUTURE PROSPECT

After the Chinese Communist Party's 18th National Congress, the central economic work conference held by the new central government clearly put forward the 2013's general requirements of the work as "maintaining stability, innovation, solid start, promote sustained and healthy economic development. People have confidence over the sustainable, healthy and stable economic development promoted by the new government.

In the second half of 2013, investment in oil and gas industry continues and unconventional oil and gas field becomes the development focus of the oil companies. The preliminary projects of Shale gas had been commenced and the oil companies begin to focus on tight oil development and its prospect is bright. The Group will seize the opportunity with VALLOUREC to meet the market demand, continue to explore the potential of high-graded oil well pipe production lines, increase research and development efforts, widen product applications, improve product quality and added value; actively explore the domestic and overseas market, obtain more market access certification from well-known international oil companies, enhance "TIANDA" brand awareness and reputation; actively explore the future with strategic partner to develop new business models, new ideas, to keep the company healthy and stable development.

DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS

For the six months ended 30 June 2013, 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 2013, 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%
	8,566,000 (L)	Interest in controlled corporation	(4)	0.85%
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 8,566,000 H shares with long position through an interest in controlled corporation. Accordingly, Ye Shi Qu is deemed to be interested in those additional 8,566,000 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 2013.

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 2013, 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%
	8,566,000 (L)	Interest in controlled corporation	(5)	1.72%	0.85%
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%
	8,566,000 (L)	Interest in controlled corporation	(5)	1.72%	0.85%
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.	34,742,000 (L)	Investment Manager	(6)	6.98%	3.45%
Templeton Asset Management, Ltd.	74,662,493 (L)	Investment Manager		15.20%	7.41%
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	4,149 (L)	Beneficial owner		5.20%	2.57%
	6,340,000 (L)	Having a security interest in shares			
	19,516,200 (L)	Custodian corporation/ approval lending agent			
	25,860,349 (L)				
	611 (S)	Beneficial owner		0.00%	0.00%
Franklin Templeton Investment Management Limited	24,887,000 (L)	Beneficial owner		5.00%	2.47%

(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 8,566,000 H shares with long position through an interest in controlled corporation. Accordingly, Tianda Holding is deemed to be interest in those additional 8,566,000 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 19,866,500 H Shares of Gaoling Fund, L.P. and Gaoling Yali Fund, L.P., respectively.

Save as disclosed above, as at 30 June 2013, 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 2013 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 2013.

CORPORATE GOVERNANCE REPORT

Throughout the period under review, the Group has complied with the relevant regulations in the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 of the of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), save for the deviation from the code provision A1.8 of the Code. The Board and the senior management of the Group have earnestly appraised the requirements of the Code and reviewed the practices of the Group to ensure full compliance with the Code.

Under the code provision A.1.8, the Group should arrange appropriate insurance cover in respect of legal action against its directors. However, as the Group's businesses are relatively unitary, the Directors can easily comprehend these businesses. At the same time, the Directors are equipped with the adequate spirit and expertise in making corporate decisions. Furthermore, the Directors consider that the Management has placed emphasis on control over corporate risks from time to time, and has strictly complied with the Listing Rules and the relevant regulations. Therefore it is not necessary to purchase insurance for the Directors and Chief Executives.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group 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 Group by the Directors (the "**Code**"). All directors have complied with the required standard as set out in the Code since the listing of the Company.

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 unaudited financial statements for the six months ended 30 June 2013. 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 Company Limited
Ye Shi Qu
Chairman

Anhui China, 30 August 2013

As at the date of this report, the Board comprises Ye Shi Qu, Zhang Hu Ming and Fu Jun as executive directors; Liu Peng and Bruno Saintes as non-executive directors; and Wu Chang Qi, Zhao Bin and Wang Bo as independent non-executive directors.