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 2014

CONTENTS

UNAUDITED KEY OPERATIONAL DATA

Key operational indicators	For the six months ended 30 June 2014 (tonnes)	2013 (tonnes)	Changes (%)
Volume of self-produced products sold	**317,150**	370,890	-14.5%
Volume of sourcing & distribution products sold	**2,280**	3,030	-24.8%
Total sales volume	**319,430**	373,920	-14.6%
Total production volume	**340,790**	384,830	-11.4%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The board of directors (the "**Board**") of Anhui Tianda Oil Pipe Company Limited (the "**Company**") is pleased to present unaudited interim results of the Company and its subsidiary (the "**Group**") for the six months ended 30 June 2014 together with comparative figures for 2013.

	Notes	For the six months ended 30 June 2014 (Unaudited) RMB'000	 2013 (Unaudited) RMB'000
REVENUE	2	**1,393,987**	1,689,694
Cost of sales		**(1,284,741)**	(1,582,190)
Gross profit		**109,246**	107,504
Other income and gains		**625**	2,948
Selling and distribution expenses		**(55,893)**	(67,692)
Administrative expenses		**(20,105)**	(19,238)
Other expenses		**(871)**	(712)
Finance costs		**(4,273)**	(7,352)
PROFIT BEFORE TAX	3	**28,729**	15,458
Income tax expense	4	**(7,182)**	(3,899)
PROFIT FOR THE PERIOD		**21,547**	11,559
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be classified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		**–**	(425)
Income tax effect		**–**	106
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**–**	(319)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**21,547**	11,240

		For the six months ended 30 June	
	Notes	**2014 (Unaudited) RMB'000**	2013 (Unaudited) RMB'000
Profit attributable to:			
Owners of the parent		**21,547**	11,559
Total comprehensive income attributable to:			
Owners of the parent		**21,547**	11,240
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	6	**RMB0.0214**	RMB0.0115

Details of the dividends payable are disclosed in note 5 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,220,417**	1,293,277
Prepaid land lease payments		**25,685**	26,011
Deferred tax assets		**5,293**	–
Total non-current assets		**1,251,395**	1,319,288
CURRENT ASSETS			
Inventories		**684,739**	568,945
Trade and notes receivables	7	**499,941**	429,288
Prepayments, deposits and other receivables	8	**208,230**	361,352
Derivative financial instruments	9	**–**	14,414
Held-to-maturity investments	10	**234,400**	12,000
Cash and cash equivalents		**345,659**	481,103
Total current assets		**1,972,969**	1,867,102
CURRENT LIABILITIES			
Interest-bearing loans and borrowings		**218,629**	147,213
Trade and notes payables	11	**632,456**	496,328
Tax payable		**–**	7,597
Derivative financial instruments	9	**7,800**	–
Other payables and accruals	12	**175,793**	205,633
Total current liabilities		**1,034,678**	856,771
NET CURRENT ASSETS		**938,291**	1,010,331
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,189,686**	2,329,619

	Notes	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**–**	260
Total non-current liabilities		**–**	260
NET ASSETS		**2,189,686**	2,329,359
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Issued capital		**503,813**	503,813
Reserves		**1,685,873**	1,664,326
Proposed final dividend	5	**–**	161,220
TOTAL EQUITY		**2,189,686**	2,329,359

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 30 June 2014

	Attributable to owners of the parent						
	Issued capital RMB'000	Share premium RMB'000	Available-for-sales investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Final dividend RMB'000 (note 5)	Total RMB'000
1 January 2014	**503,813**	**1,002,166**	**–**	**109,218**	**552,942**	**161,220**	**2,329,359**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**21,547**	**–**	**21,547**
2013 final dividend declared (note 5)	**–**	**–**	**–**	**–**	**–**	**(161,220)**	**(161,220)**
30 June 2014 (unaudited)	**503,813**	**1,002,166**	**–**	**109,218**	**574,489**	**–**	**2,189,686**
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:							
Change in fair value of available-for-sale Investments, net of tax	–	–	(319)	–	–	–	(319)
Total comprehensive income for the period	–	–	(319)	–	11,559	–	11,240
2012 final dividend declared (note 5)	–	–	–	–	–	(31,236)	(31,236)
30 June 2013 (unaudited)	503,813	1,002,166	191	104,289	681,365	–	2,291,824

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Net cash flows from operating activities	**190,886**	257,312
Net cash flows used in investing activities	**(233,510)**	(54,699)
Net cash flows used in financing activities	**(92,820)**	(6,830)
Net increase/(decrease) in cash and cash equivalents	**(135,444)**	195,783
Cash and cash equivalents at beginning of period	**481,103**	42,572
Cash and cash equivalents at end of period	**345,659**	238,355

1. Basis of Preparation

These unaudited condensed consolidated financial statements for the six months ended 30 June 2014 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 included 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 2013.

Impact of new and revised International Financial Reporting Standards

The accounting policies adopted in 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 2013, except for the adoption of the new and revised standards and interpretation as of 1 January 2014, noted below:

IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – *Investment Entities*
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
IAS 36 Amendments	Amendments to IAS 36 Impairment of Assets: – *Recoverable Amount Disclosures for Non-Financial Assets*
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC Interpretation 21	*Levies*

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

1. Basis of Preparation (continued)

The Group has not early adopted any other standards, interpretations or amendments that has been issued but is not yet effective:

Issued but not yet effective International Financial Reporting Standards

IFRS 9	*Financial Instruments*[4]
IFRS 14	*Regulatory Deferral Accounts*[2]
IFRS 15	*Revenue from contracts with customers*[3]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[4]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefits Plans: Employee Contributions*[1]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 No mandatory effective date yet determined but is available for adoption

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. Revenue

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

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Sale of goods	**1,394,905**	1,689,694
Less: Government surcharges	**(918)**	–
Revenue	**1,393,987**	1,689,694

3. Profit Before Tax

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

	For six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Cost of inventories sold	**1,284,741**	1,582,190
Depreciation	**78,502**	77,887
Amortisation of prepaid land lease payments	**326**	326
Write-down of inventories to net realisable value	**–**	1,010
Research costs	**–**	–
Auditors' remuneration	**–**	–
Staff costs (including directors', chief executive's and supervisors' remuneration):		
– Salaries and other staff costs	**48,543**	47,273
– Retirement benefit contributions	**7,792**	7,077

4. 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 2014 (Six months ended 30 June 2013: Nil).

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

4. Income Tax (continued)

The major components of income tax expense for the six months ended 30 June 2014 and 2013 are as follows:

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Current:		
Charge for the year	**12,735**	4,152
Deferred:		
Relating to origination and reversal of temporary differences	**(5,553)**	(253)
Total tax charge for the year	**7,182**	3,899

5. Dividends

The board of directors do not propose an interim dividend for the six months ended 30 June 2014 (Six months ended 30 June 2013: Nil).

Pursuant to the resolution passed in the annual general meeting held on 23 May 2014, the Group's shareholders approved the final dividend for the year ended 31 December 2013 amounting to RMB161,220,000 (RMB0.16 per share) payable to the then shareholders. Such dividends were paid on 11 June 2014.

6. Earnings Per Share

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of shares (including Domestic Shares and H Shares) of 1,007,626,000 in issue during the six months ended 30 June 2014 (Six months ended 30 June 2013: 1,007,626,000).

7. Trade and Notes Receivables

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Notes receivable from domestic third parties	**85,159**	51,410
Trade receivables from overseas customers	**124,637**	125,588
Trade receivables from domestic customers	**290,181**	252,290
Impairment	**(36)**	–
	499,941	429,288

The balances of notes receivable are unsecured, interest-free and mature within six months.

Customers are usually required to make payment in advance before the Group delivers goods to them. However, the Group's trading terms with its overseas customers and certain major domestic customers are on credit. The credit period is generally 1 to 45 days extending up to 270 days for certain strategic customers. The Group enters into sales with overseas customers through irrevocable letters of credit or telegraphic transfers. Each domestic customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are unsecured and interest-free.

Included in the Group's trade receivables were amounts due from Vallourec Oil & Gas (China) Co., Ltd. ("VOGC") and fellow subsidiaries of approximately RMB161,796,000 (31 December 2013: approximately RMB132,787,000),which were payable on a credit term of 45 days.

7. Trade and Notes Receivables (continued)

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

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Outstanding balances with ages:		
Within one year	**414,782**	377,878
Between one and two years	**–**	–
	414,782	377,878

8. Prepayments, Deposits and Other Receivables

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Prepayments	**62,042**	187,542
Deposits and other receivables	**144,680**	172,615
Bank interest receivables	**1,508**	1,195
	208,230	361,542

The Group did not write off irrecoverable prepayments and other receivables during the period ended 30 June 2014 (31 December 2013: Nil).

All balances of prepayments, deposits and other receivables are unsecured, interest-free and have no fixed terms of repayment, and are not overdue nor impaired.

Included in the Group's and the Company's deposits and other receivables were (i) time deposits of RMB98,127,000 pledged to the banks to secure the bank accepted drafts and letter of credit (31 December 2013: RMB112,409,000); and (ii) the net input value-added tax ("VAT") of RMB46,210,000 (31 December 2013: RMB54,071,000) arising from the purchase of items of property, plant and equipment and materials after deducting the output VAT for domestic sales.

9. Derivative Financial Instruments

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Foreign exchange forward contracts – assets – current	**–**	14,414
Foreign exchange forward contracts – liabilities – current	**7,800**	–

The above foreign exchange forward contracts did not qualify for hedge accounting, and the changes in the net fair value losses of RMB7,800,000 were debited to profit or loss during the six months ended 30 June 2014 (31 December 2013: Fair value gains of RMB14,414,000).

10. Held-to-maturity Investments

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Investment in bank financial products, at amortised cost	**234,000**	12,000

The above investment in bank financial products bore interest at a fixed interest rate in range of 2.4% – 5.6% and will be matured on 8 September 2014 and 28 September 2014.

11. Trade and Notes Payables

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Notes payable to third parties	**461,078**	374,464
Trade payables to third parties	**171,378**	121,864
	632,456	496,328

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

All trade payable balances were unsecured, interest-free and were generally on a credit term of 30 days.

An aged analysis of the trade and notes payables as at the end of the reporting period, based on the invoice/issuance date, is as follows:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Outstanding balances with ages:		
Within one year	**614,838**	480,662
Between one and two years	**4,517**	9,307
Between two and three years	**6,911**	3,960
Over three years	**6,190**	2,399
	632,456	496,328

12. Other Payables and Accruals

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Advances from customers	**59,243**	52,945
Payroll payables	**32,762**	38,793
Other payables	**83,788**	113,895
	175,793	205,633

As at 30 June 2014, the service fee payable to VOGC amounted to RMB379,000 and the payable to VOGC in relation to the third parties' inspection fee paid by VOGC on behalf of the Group amounted to RMB737,000 (31 December 2013: no service fee and third parties' inspection fee were payable to VOGC).

All the balances of other payables and accruals were unsecured, interest-free and had no fixed terms of repayment as at the end of the reporting period.

13. Related Party Transactions

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

	For the six months ended 30 June	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Sales of oil pipes to VOGC and fellow subsidiaries (note i)	**310,780**	224,726
Purchases of services from VOGC (note ii)	**625**	575
Third parties' inspection fee paid by VOGC on behalf of the Company (note ii)	**890**	550
Purchases of water from Tianda Holding (note iv)	**204**	233
Purchases of materials from fellow subsidiaries (note iii)	**–**	160
Lease of a dormitory from Tianda Holding (note v)	**48**	48

13. Related Party Transactions (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 Group's payable to VOGC in relation to service fee and third party inspection fee paid by VOGC on behalf of the Group were determined based on the mutual agreement.

(iii) These transactions (mainly the purchases of packing bags) were carried out 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.

The Group's trade receivables due from VOGC and fellow subsidiaries and the Group's trade payables due to VOGC, Tianda Holding and its subsidiaries as at 30 June 2014 had been disclosed in note 7 and 12, respectively.

Financial Review

The Group recorded a total revenue of approximately RMB1,393,987,000 for the six months ended 30 June 2014 (Six months ended 30 June 2013: approximately RMB1,689,694,000), representing a decrease of approximately RMB295,707,000 or approximately 17.5% when compared the revenue for the corresponding period of 2013. The decrease in revenue was mainly attributable to (i) the decrease in sales volume by approximately 14.6% as compared to the corresponding period of 2013 as a results of the Group's adjustments on products mix and client base structure; and (ii) the decrease in average selling price of products by approximately 3.4% as compared to the corresponding period of 2013 as a result of decrease in average pricing of raw materials.

During the six months ended 30 June 2014, the Group recorded a gross profit of approximately RMB109,246,000, representing an increase of approximately RMB1,742,000 or approximately 1.6% when compared to the gross profit of approximately RMB107,504,000 for the corresponding period of 2013, and a gross profit margin of approximately 7.8%, representing an increase of approximately 1.4 percentage point when compared to the gross profit margin of approximately 6.4% for the corresponding period of 2013. The increase in gross profit and gross profit margin was mainly due to the fact that (i) the Group actively adjusted the product structure and client base structure, reducing the sales volume with relatively low gross profit margin; (ii) the Group continuously explore potentials and further improved the management level, resulting in decrease in average costs of production to a greater extent than the decrease in average selling prices of products.

For the six months ended 30 June 2014, the selling and distribution expenses of the Group was about RMB55,893,000, representing a decrease of approximately RMB11,799,000 or approximately 17.4% when compared to approximately RMB67,692,000 for the corresponding period of 2013. The decrease was mainly due to the decrease in transportation expenses as a results of the decrease in the Group's sales volume and the decrease in unit cost of transportation.

For the six month ended 30 June 2014, the Group's administrative expenses was approximately RMB20,105,000, representing an increase of approximately RMB867,000 or approximately 4.5% when compared to approximately RMB19,238,000 for the corresponding period of 2013. The increase was mainly due to the fact that the tax rate standard of the land use tax in Chuzhou was increased with effect from 1 January 2014.

The finance costs of the Group for the six months ended 30 June 2014 amounted to approximately RMB4,273,000 (six months ended 30 June 2013: approximately RMB7,352,000), representing a decrease of approximately RMB3,079,000 or approximately 41.2% when compared to the corresponding period of 2013. The decrease was mainly due to the reduction in foreign exchange losses arising from the exchange rate fluctuation between US dollars and RMB during the period.

The Group's net profit attributable to owners of the parent company for the six months ended 30 June 2014 was approximately RMB21,547,000 (Six months ended 30 June 2013: approximately RMB11,559,000). When compared with the corresponding period of 2013, the net profit attributable to equity holders was increased by approximately RMB9,988,000 or approximately 86.4%. The increase was mainly due to the fact that (i) the gross profit achieved by the Group was increased when compared to the corresponding period of 2013 and (ii) the overall decrease in costs and expenses as compared to the corresponding period of 2013 as a result of technological innovation and the strengthened control measures over various expenses.

The Group's inventories as at 30 June 2014 were approximately RMB684,739,000, representing an increase of approximately RMB115,794,000 as compared to the inventories as at 31 December 2013 of approximately RMB568,945,000. During the period under review, the raw materials accounted for approximately 41.5% of total inventories, the finished goods and semi-finished goods (including unprocessed pipes) accounted for approximately 49.0% and the remaining inventories items were accessories and work-in-progress. Compared to the opening inventories and the inventories as at 30 June 2013, the increase in inventories was mainly due to (i) the increase in the raw materials as strategic reserve for better cost management; (ii) the increase in finished goods resulting from certain orders of products with relatively long production cycle or certain finished goods not yet delivered pending to customers' settlement prior to delivery. The Company seriously keeps the inventories level of raw materials and finished goods and the inventories mix within a reasonable level.

The Group's trade receivables and bills receivable as at 30 June 2014 were approximately RMB499,941,000 (31 December 2013: approximately RMB429,288,000). The average debtor turnover days for the six months ended 30 June 2014 was approximately 46 days. The Group's stringent internal management mechanism, appraisal policies and the supply chain management led to maintain the Group's financial risks at a healthy level.

The Group's net assets as at 30 June 2014 were approximately RMB2,189,686,000 (31 December 2013: approximately RMB2,329,359,000). The net assets per share as at 30 June 2014 were approximately RMB2.17 (31 December 2013: approximately RMB2.31). The decrease in the Group's net assets was mainly due to the payment of final dividend of RMB161,220,000 for 2013.

Business Review

In the first half of 2014, in response to unfavourable conditions including slow-down of China's economy, over-capacity of production in industry and trade protectionism, the Group adopted operating strategies – putting much efforts to develop and promote new products, prioritizing and adjusting customer base structure. Despite the short-term decrease in sales volume, the Group achieved a steady increase in gross profit margin of products and enhanced its profitability. In addition, supported by Vallourec, the Group developed business partnership with world-class enterprises, consolidated the foundation for development, and strengthened the abilities for development upon seizure of the opportunities.

The Group's products are mainly oil well pipes, as well as pipes of various classes and specifications for oil and gas transmission, boilers, vessels, automobile axles which are applicable to industries like energy, chemical, mechanical manufacturing etc. During the six months ended 30 June 2014, the Group's realized total production volume was about 340,790 tonnes, representing a decrease of approximately 11.4% as compared to the corresponding period last year. The decrease was mainly due to the cessation of PQF production line for one month after the Chinese New Year for technological upgrade with attempt to improving the production efficiency, saving energy consumption per unit and reducing the cost of production.

During the period under review, in the domestic market, the Group continued to consolidate the relationships with the China's four major oil companies as well as the strategic partnerships with large-scaled boiler, shipbuilding factories. Meanwhile, the Group actively participated in the tendering activities organized by oil companies and successfully obtained the orders from China National Petroleum Corporation (CNPC) and China National Offshore Oil Corporation (CNOOC) with assistance of Vallourec. In addition, the Group obtained the market-entry qualification certification recognized by several boiler, shipbuilding enterprises and oil-field services enterprises which enlarges the customer bases and improve the Company's recognition and position in the industry.

During the year under review, in the overseas market, the Group has overcome the adverse factors including regional anti-dumping policies, implemented by certain countries, and continued to co-operate with Vallourec for develop and consolidate the emerging markets continuously, especially in Turkey, Pakistan, Nigeria and Kenya. For the six months ended 30 June 2014, the Group's export sales volume accounted for 30.2% of the Group's total sales volume, representing an increase of 1.1 percentage point as compared to the corresponding period of 2013.

In March 2014, the Group participated in the International Seminar organized by Vallourec in Nanjing. The participants, including leaders and technical experts from CNPC, Sinopec and CNOOC, had in-depth discussions and visits to the Group's Chuzhou production base, which greatly reflected product's research and development and production strength of the Group and Vallourec on which the customers had good reputation.

Since incorporation, the Group is used to emphasise on new products' research and development and technological upgrade on production facilities. During the period under review, for facilitating the new products' research and development, improving the quality of existing products and staff's technical training, the Group initiated a project for construction of a provincial technology centre, and continued to carry out research and development of high-steel, anti-corrosive oil well pipes products applicable to exploration of shale gas or other non-conventional natural gas and applicable in various adverse geological environment in response to customers' needs, with co-operation of the Provincial Science Research through the studies on environment and technology of shale gas exploitation. Moreover, the Group successfully developed the new products including Q355GNH耐候管, P9 high-efficiency heat-assistant heat conversion pipes (高效耐熱換熱管) and P91 boiler pipes (超高壓電站鍋爐管) and is applying an invention patent for《一種高光潔度鋼管的生產技術》. As regards technical upgrade of production and testing facilities, the Group completed technical upgrade on PQF facilities (PQF連軋機組環形爐設備) and GE ultra-sound detection facilities which will improve the production capacity and product quality.

Liquidity and Financial Resources

The Group's working capital normally financed by the cash flows internally generated by the Group and the bank borrowings.

As at 30 June 2014, the Group's cash and cash equivalents amounted to approximately RMB345,659,000 (31 December 2013: approximately RMB481,103,000) and the Group had investment in bank's financial products of approximately RMB234,400,000 (31 December 2013: approximately RMB12,000,000).

As at 30 June 2014, the Group's interest-bearing bank loans amounted to approximately RMB218,629,000 (31 December 2013: approximately RMB147,213,000). The bank loan was increased mainly for improving the utilization efficiency of capital.

As at 30 June 2014, the Group's debt to asset ratio was approximately 6.8% (31 December 2013: approximately 4.6%), which was interest-bearing loans and borrowings divided by total assets and presented in terms of percentage.

Charges on Assets

Save as those disclosed in note 8, as at 30 June 2014, the Group did not have any other property, plant and equipment and bank deposits pledged for securing banking facilities.

Significant Investments

As at 21 March 2014, the Group's board of directors approved the resolution in relation to the construction of the Provincial technology centre and the technological transformation of production facilities. During the period under review, the investment of RMB7,800,000 had been contributed.

Save as above, the Group did not have other significant investments during the six months ended 30 June 2014.

Major Acquisition and Disposal

The Group did not make any major acquisition or disposal during the six months ended 30 June 2014.

Contingent Liabilities

As at 30 June 2014, the Group did not have any significant contingent liabilities.

Foreign Exchange Risk

Generally, when the Group sells its products to overseas customers, it is dealing in United States dollars. The Group's books are prepared in RMB whereas the receivables from overseas customers may be subject to foreign currency fluctuations.

During the year under review, the Group applied forward currency contracts to hedge against exchange risk resulting from overseas sales transactions. Forward currency contracts should be denominated in the same currency with the transactions to be hedged. It is the Group's policy to enter into forward currency contracts after attaining confirmed orders from customers.

All cash and cash equivalents of the Group are denominated in RMB, Hong Kong dollar, Euro 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 2014, the sales volume of the Group's self-produced specialized pipes was approximately 317,150 tonnes (Six month ended 30 June 2013: approximately 370,890 tonnes), representing a decrease of approximately 14.5% when compared to the corresponding period of 2013.

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

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

For the six months ended 30 June 2014, the sales volume of the Group's sourcing and distribution of specialized pipes was approximately 2,280 tonnes (six months ended 30 June 2013: approximately 3,030 tonnes). When compared to the corresponding period of 2013, the sales volume of the sourcing and distribution of specialized pipes declined by approximately 24.8%. Despite the continuous changes in the industry and market, the Group continues to keep the business model for procurement and distribution of specialized pipes. However, the Group may commenced research and development over the products specification that the customers demand but the Group has not produced, when appropriate, for purposes of self-production.

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 2014, the Company had 1,819 employees (as at 31 December 2013: 1,810 employees). The average number of employees for six months ended 30 June 2014 was 1,795 (Six months ended 30 June 2013: average 1,955 employee).

The Group is committed to maintaining good corporate culture. We are people-oriented, and focus on enhancing team cohesion and motivating staff morale incentives through establishment of a remuneration mechanism with both external competitiveness and internal equity. Employees' remunerations links with the Group's results. In addition, the remuneration package for the Group's employees includes salaries, incentives (such as bonus based on work performance) and allowances. The Group also provides social security and benefits to its employees. Adequate provisions have been made in the accounts based on the provisions of the PRC government. The Group also participates in the mandatory pension fund plan for its employees in Hong Kong.

Events After Balance Sheet Date

From the balance sheet date 30 June 2014 to the date of this report, the Group did not have any significant events.

Future Prospect

In 2014, China implemented a series of stimulus policies to boost the economy, promote consumption and maintain growth. The new government's policy measures on energy pricing and taxation are expected to stimulate increase in domestic oil and gas production and to encourage further exploration and development of unconventional oil and gas. We are confident that the Chinese economy and especially oil and gas industry will have sustainable, healthy and stable development.

China is the country of the greatest exploitation potential of shale gas in the world. The successful implementation of China's "Shale gas development plan" provide a strong momentum to the well pipe industry. OCTG industry is in a period of important strategic opportunities and is encountering a rare historical opportunity. The Group's products are widely used in petroleum, natural gas exploitation (including coalbed methane, shale gas and other unconventional natural gas) and pipeline transportation. In future, the Group will continue to focus on oil and gas exploration and transportation, to meet the market demand and continue to tap the potential of high grade oil well pipe production line potential for intensifying product development, broadening product applications, improving product quality and added value. Meanwhile, the Group actively through the strategic co-operation with Vallourec explores the domestic market, enhance brand awareness and reputation of "Tianda".

The Company believes that being a backbone enterprises of oil well pipe industry in China, the Group has advantages to get benefit from the China's economic growth and the reform and technological development of consumption structure in the oil and gas industry, and the Group has the ability to lead the China's OCTG industry's growth and integration.

Directors' and Supervisors' Interests in A Competing Business

For the six months ended 30 June 2014, the directors are not aware of any business or interest of the directors, the supervisors and 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 Company.

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

As at 30 June 2014, 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%
	29,293,000 (L)	Interest in controlled corporation	(4)	2.91%
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%
Tianfa International	Ye Shi Qu	USD6,000,000	Interest in controlled corporation	(4)	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 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 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. Ye Shi Qu holds 85.14% equity interest in Tianda Holding which holds 100% equity interest in Tianda Investment. Tianda Investment holds 87% equity interest in 安徽天大企業(集團)塑料複合製品有限公司 which further holds 100% equity interest in Tianfa International. Tianfa International holds 29,293,000 H shares. Accordingly, Ye Shi Qu is deemed to be interested in those additional 29,293,000 H shares 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 2014.

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 2014, 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 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%
	29,293,000 (L)	Interest in controlled corporation	(5)	5.89%	2.91%
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%
	29,293,000 (L)	Interest in controlled corporation	(5)	5.89%	2.91%
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 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%
Templeton Asset Management, Ltd.	68,756,697 (L)	Investment Manager		13.82%	6.82%
JPMorgan Chase & Co.	3,950,000 (L)	Beneficial owner		6.99%	3.45%
	30,834,841 (L)	Custodian corporation/ approval lending agent			
	34,784,841 (L)				

(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 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 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 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. Ye Shi Qu holds 85.14% equity interest in Tianda Holding which holds 100% equity interest in Tianda Investment. Tianda Investment holds 87% equity interest in 安徽天大企業(集團)塑料複合製品有限公司 which further holds 100% equity interest in Tianfa International. Tianfa International holds 29,293,000 H shares. Accordingly, Ye Shi Qu is deemed to be interested in those additional 29,293,000 H shares in the Company.

Save as disclosed above, as at 30 June 2014, 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 2014 in the register required to be kept by the Group under section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities of the Company

Nether the Company nor any of its subsidiaries purchased, sales or redeemed any of the Company' listed securities during the six months ended 30 June 2014.

Corporate Governance Report

During 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 A.1.8. 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 business 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 cover 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 Executive.

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 during the period under review.

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 2014. The Audit Committee currently comprises two independent non-executive directors, Mr. Zhao Bin and Mr. Wang Jie 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, 22 August 2014

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, Wang Bo and Wang Jie as independent non-executive directors.