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)

2015 ANNUAL REPORT

CONTENT

CORPORATION INFORMATION

BOARD OF DIRECTORS

Executive Directors
YE Shi Qu (Chairman)
ZHANG Hu Ming (Deputy Chairman)
FU Jun

Non-executive Directors
LIU Peng
Bruno Saintes

Independent Non-executive Directors
ZHAO Bin
WANG Bo
WANG Jie

SUPERVISORS

HUANG Yao Qi
Didier Maurice Francis Hornet
YANG Quan Fu

COMPLIANCE OFFICER

ZHANG Hu Ming

COMPANY SECRETARY

SHUM Shing Kei

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 406B, 4/F Mirror Tower
61 Mody Road, Tsim Sha Tsui
Kowloon, Hong Kong

AUDIT COMMITTEE

ZHAO Bin (Chairman)
WANG Jie
LIU Peng

REMUNERATION COMMITTEE

WANG Jie (Chairman)
ZHAO Bin
LIU Peng

NOMINATION COMMITTEE

WANG Jie (Chairman)
ZHAO Bin
LIU Peng

REGISTERED OFFICE

Zhenxing Road
Tongcheng Town
Tianchang City, Anhui Province
The PRC

AUDITORS

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China Limited
China Construction Bank Corporation
Industrial and Commercial Bank of China Limited
Huishang Bank

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

RECEIVING AGENT

ICBC (Asia) Trustee Company Limited
33/F ICBC Tower
3 Garden Road, Central
Hong Kong

OFFICIAL WEBSITE

http://www.tiandapipe.com

INVESTOR RELATIONS OFFICE

Zhenxing Road
Tongcheng Town
Tianchang City, Anhui Province
The PRC
Hotline: (86 550 7518500)
(852 6381 0079)

FINANCIAL SUMMARY

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Profit and loss items					
Revenue	**2,032,445**	2,881,955	3,309,690	3,960,548	4,530,391
Gross Profit	**85,916**	246,431	229,340	237,844	294,360
Net profit/(loss)	**(19,050)**	57,779	49,285	35,086	63,832
Statement of financial position items					
Total non-current assets	**1,075,530**	1,187,332	1,319,288	1,424,623	1,475,746
Total current assets	**1,782,567**	1,752,141	1,867,102	1,264,216	1,492,332
Total assets	**2,858,097**	2,939,473	3,186,390	2,688,839	2,968,078
Total non-current liabilities	**–**	–	260	–	875
Total current liabilities	**933,364**	713,555	856,771	377,019	659,743
Total liabilities	**933,364**	713,555	857,031	377,019	660,618

CHAIRMAN'S STATEMENT

To all Shareholders,

On behalf of the board of Directors (the "**Board**") of Anhui Tianda Oil Pipe Company Limited (the "**Group**"), I am pleased to present the report and audited financial statements for the financial year ended 31 December 2015 ("**2015**" or "**the Year**" or the "**Reporting Period**" or "**the Year under Review**") for the review of the shareholders of the Group.

ANNUAL RESULTS

In 2015, the global economy is still in a period of adjustment, growth of economic system differentiated and the downward pressure on the China's domestic economy was relatively greater with various difficulties and challenges. Encountering such complicated situation and fierce competition in the industry, the Group explored markets externally and reduced costs internally, took comparative advantage and further stuck to the basic management principle in relation to cost management and risk control, deepened the philosophy of services, and explored the maximum value of the products, committed to development of new products and exploration of new markets which pave the foundation for future growth.

The revenue of the Group for the year ended 31 December 2015 amounted to about RMB2,032,445,000 (2014: approximately RMB2,881,955,000), representing a year-on-year decrease of 29.5%; Net loss attributable to equity holders was approximately RMB19,050,000 (2014: profit of approximately RMB57,779,000).

REVIEW OF OPERATIONS

During the year under review, the Group strengthened risk management, based on the existing equipment advantage, highlighted the characteristics and advantages of products, and focused on the development of quality. The realised annual production volume was approximately 607,200 tonnes (2014: approximately 694,390 tonnes) and the total sales volume was approximately 605,830 tonnes (2014: approximately 679,790 tonnes), representing a decrease of approximately 12.6% and 10.9%, respectively, compared with the last year. During the year under review, for the technological upgrade of the Group's oil pipe production line, it completed the upgrade of pipe couplings lathes and flaw detection equipment which enhance the quality of the product.

During the year under review, in the domestic market, the Group continued to consolidate the strategic co-operative relationships with the China's four major oil companies as well as large-scaled boiler, shipbuilding factories; obtained the certification from the Russian Maritime Register of Shipping (RS). The Group obtain the certifications from ten large-scaled Classification Societies in aggregate in relation to the vessel pipes. With the support of Vallourec and being the premium oil pipe suppliers of China National Petroleum Corporation ("CNPC") and China National Offshore Oil Corporation ("CNOOC"), the Group participated actively in the tendering activities organized by oil companies and successfully obtained orders.

During the year under review, in the overseas market, the Group explored the emerging markets, especially developing the market in Cuba, Pakistan, United Arab Emirates, Oman and Kuwait, with the support of Vallourec. The Group strengthened the certification from the international oil companies, and successfully passed the market-entry qualification of the oil companies led by certain international well-known oil company which enables the Group to further optimise its product mix structure and customer bases structure with main focus on the large-scaled projects.

During the year under review, the Group continued to maintain one-stop service for customers to deepen the philosophy of services, to consolidate customer base, to keep abreast of the market condition, and, as appropriate, to self-manufacture products of certain specification in one-stop service which are currently sourced externally.

As regards the research & development ("R&D") of products, the Group, based on the market-oriented and demand-oriented of customers, enhanced technology marketing services, and constantly develops new products to meet market demand and provides standardized products and services for customers. During the year under review, the Group's testing centre passed the accreditation from the China National Accreditation Board for Conformity Assessment (CNAS) and its technology center has been recognized as a provincial enterprise technology centre. The Group continued to carry out detailed studies for the environment and technology for the exploitation of shale gas, and continued to carry out research and development of high-steel, anti-corrosive oil pipes products applicable to exploitation of shale gas or other non-conventional natural gas and applicable in various adverse geological environment. Meanwhile, making use of the sophistical R&D technique and experience of oil pipes and focusing on highlighting the characteristics and advantages of the products, the Group developed new products such as Q125EP high collapse-resistant shale gas exploitation pipe, and line pipes like 25T, X65Q, X70Q etc., and series of new products including P2, T1a, WB36, BS3059 Gr440,09Cr2AlMoRe alloy boiler tubes and heat conversion tubes.

RISK CONTROL

The Group placed emphasis on strengthening internal governance in order to more effectively control the Group's operating and financial risks. Since listing, the Group adhered to business model linking production and sales, continued to intensify the assessment efforts over auxiliary materials, work-in-progress and finished goods. As regards accounts receivable, overseas sales were settled by way of sight letter of credit while domestic sales were in principle by delivery of shipments upon full settlement of amounts. The credit period is only granted to large strategic customers depending on the circumstances, but normally not larger than 180 days. The Group's inventories amount and significant amounts of accounts receivable were audited regularly by senior management. The Group enhanced the supervision and control of key areas and uplifted the Group's risk control level through the implementation of the ERP system.

ENERGY SAVING, ENVIRONMENTAL CONSERVATION AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

In 2015, the Group, based on the HSE management handbook and procedural documentation, established security prevention mechanisms to regulate the production behavior so that the production processes meet the relevant safety laws, regulations and standards requirements and with continuous improvement, made continual efforts on safety production responsibility and safety management system, implemented safely accountability system and strengthened the assessment of security responsibilities. The Group's safety management work has been recognized by governmental departments, and successfully passed the national assessment of the production safety and standardization and the annual review of production quality, safely and occupational health systems.

The Group adhere to the philosophy of green and intelligent development, with integration among enterprise, the city and the community. The Group makes continual effort on strengthening the technological innovation of equipment, as well as energy saving plans to reduce energy consumption per unit of product constantly, and to ensure safety of product design and manufacture. Meanwhile, the Group co-operates with its suppliers to enhance the social and environmental benefits. The suppliers have to comply with the Group's requirements in relation to environment, occupational health and safety, etc, and work together to minimize the impact of the design, manufacture and operation on the society or environment to a possibly greatest extent.

The Group is constantly integrating corporate social responsibility practices into its development process so that during the process of business development, the Group would also continuously improve staff working environment, improve work compensation and engage in charitable work, hence maximizing their social contribution.

OUTLOOK AND PROSPECT

Currently, the global economy is still in period of adjustment with less momentum of recovery. The downward pressure on the China's economy is relatively greater and the economic development has entered a new norm. The macro-economy has more focuses on the supply-side structural reform under the conditions where the demands are properly enlarged by which the excessive production capacity in the industry is resolved. Though it is probable that the industry will face various challenges in short run, the structure of the industry itself will be optimized in long run when the issues of excess capacity are resolved and it will bring unprecedented opportunities to the industry. We are alert with crisis, and have belief of success and firmly seize development opportunities.

The Group, as the backbone of the oil pipe industry in China, through overseas listing and strategic partnership with VALLOUREC, a multi-national company, with great reputation in the global sector, is gaining rising reputation and image in the sector, gaining increasing brand influence. Possessing the management experience and technical skills in the sector for over 20 years, the Group is capable of promptly responding to market demand and providing total service solutions. In 2016, the Group will stick to the development strategies that focus on development of quality, adjustment on the product and customer base structures, enhance management efficiency and profitability, deepen the philosophy of services, strengthen the technical marketing efforts, actively promote new network marketing model "Internet + Steel pipe" and continue to develop high-end products and international market. Strengthening the strategic co-operation with VALLOUREC, the Group, making use of its overseas sales network resources to achieve continuous growth in sales volume in the overseas oil pipe market, and at the same time, to carry out actively the research and development on high-end products in order to meet the demand in future. As regards the Sale and Purchase Agreement, it is in the process of reporting procedures to the relevant departments of the PRC government pursuant to the Company's announcements.

Looking ahead, we will work with strategic partners to know each other, leap towards long-term growth with unswerving confidence. We will contribute to the development of pipe industry of China and greatest benefits for its shareholders, customers, employees and society.

ACKNOWLEDGEMENT

Finally, on behalf of the Board of Directors, I would like to take this opportunity to express heartfelt gratitude to all customers, business partners and shareholders for their confidence and support for the Group. In addition, I would also like to take this opportunity to thank the management team and staff for their tireless efforts and contributions in the past year.

Ye Shi Qu
Chairman

Anhui, the PRC, 31 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

In 2015, the global economic growth continued to slow down and the domestic economic growth continued to decelerate with significant downward pressure. The production capacity in the industry was in excess and the trade protection expanded. Under such unfavourable situation, the Group explored new markets externally and reduced costs internally. The Group takes advantages to strengthen its cost management and risk control and adopts the differential and premium business strategy which highlights the characteristics and advantage of the Group's various products. The Group optimises the adjustment of the product mix and customer base structures and it paves solid foundation for development and ensure its sustained and healthy development.

The Group's products are mainly oil 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 year under review, the Group's realized total production volume was about 607,200 tonnes, representing a decrease of approximately 12.6% as compared to the corresponding period last year. The decrease was mainly due to the Group's strengthening adjustment of the product mix structure and marketing structure in order to improve its profitability and to eliminate against market risks.

The Group put emphasis on the market promotion and exploration, and actively implement network marketing and promotion. The use of network marketing model "Internet + Steel pipe" brings new opportunities for the industry development and it enables the Group to enhance promotion of new products and new technologies, and to explore new markets and new customers.

During the year under review, in the domestic market, the Group continued to consolidate the strategic co-operative relationships with the China's four major oil companies as well as large-scaled boiler, shipbuilding factories; obtained the certification from the Russian Maritime Register of Shipping (RS) which is a further recognition in addition to the certifications from other nine large-scaled Classification Societies – CCS, ABS, LR, DNV, GL, BV, NK, KR and RINA that the Group previously obtained. With the support of Vallourec and being the premium oil pipe suppliers of China National Petroleum Corporation ("CNPC") and China National Offshore Oil Corporation ("CNOOC"), the Group participated actively in the tendering activities organized by oil companies and successfully obtained orders. However, due to the influence of the declining trend of oil price, the oil enterprises reduced their exploitation plans and the oil pipe supply was reduced. The realized sales volume in domestic market in aggregate for the year was 421,110 tonnes, representing 69.5% (2014: 67.9%) of the Group's total sales volume.

During the year under review, in the overseas market, the Group has overcome the adverse factors including the persistently weak global economy and the enlarging trade barriers, and developed the emerging markets, especially focused on Cuba, Pakistan, United Arab Emirates, Oman and Kuwait, with the support of Vallourec. The Group strengthened the certification from the international oil companies, and successfully passed the market-entry qualification of the oil companies led by certain international well-known oil company which enables the Group to further optimise its product mix structure and customer bases structure with main focus on the large-scaled projects. During the year, the Group realized sales volume of 184,720 tonnes in overseas market, representing 30.5% (2014: 32.1%) of the Group's total sales volume.

On 7 November 2014, the Group entered into the New Sales Agreement with VOGF, VOGC, VME and Vallourec Asia Pacific Corp Pte Ltd, the subsidiaries of Vallourec, which was effective for 3 years upon the independent shareholders' approval in the special general meeting held on 23 January 2015. The Group continues to consolidate the strategic co-operative relationship with Vallourec. The Group's export sales of oil pipes are stabilised, the production flows are optimized and the quality of products are improved with the assistance of Vallourec. In 2014, the Group had been granted the market-entry qualification by certain international well-known oil company.

The Group and Vallourec have successfully continued their cooperation in the OCTG field with excellent results in terms of quality and delivery time. Qualifications of the Group's facilities have been awarded by major customers. The experience and technical know-how brought by Vallourec has helped the Group to improve the production capability and the accuracy of the quality control.

The Group closely monitors changes in customer demand, enhanced technology marketing services, and constantly develops new products to meet market demand and provides standardized products and services for customers. During the year under review, the Group continued to carry out detailed studies for the environment and technology for the exploitation of shale gas, and continued to carry out research and development of high-steel, anti-corrosive oil pipes products applicable to exploitation of shale gas or other non-conventional natural gas and applicable in various adverse geological environment. Meanwhile, making use of the sophistical R&D technique and experience of oil pipes and focusing on highlighting the characteristics and advantages of the products, the Group developed new products such as Q125EP high collapse-resistant shale gas exploitation pipe, and line pipes like 25T, X65Q, X70Q etc., and series of new products including P2, T1a, WB36, BS3059 Gr440,09Cr2AlMoRe alloy boiler tubes and heat conversion tubes. During the year under review, the Group's seamless steel pipe products won the award of "Industrial Masterpiece of Anhui" (安徽工業精品) and its high-steel grade anti-H2S corrosion special thread casing and tubing was granted the second graded award of Tianchang City Science and Technology Progress Awards (天長市科技進步獎二等獎). The Group also obtained two new applicable patents for 《油套管接箍塗漆裝置》and《硼砂噴吹裝置》.

During the year under review, the Group's testing centre passed the accreditation from the China National Accreditation Board for Conformity Assessment (CNAS) and its technology center has been recognized as a provincial enterprise technology centre which symbolizes that the Group's technical research and development goes up into the new level.

FINANCIAL REVIEW

Comprehensive income

The Group recorded a total revenue of approximately RMB2,032,445,000 in 2015, representing a decrease of approximately RMB849,510,000 or approximately 29.5% when compared to approximately RMB2,881,955,000 in 2014. The decrease in revenue was mainly attributable to the factors including the imbalance of market supply and demand, the fierce market competition and the decrease in average pricing of raw material steel. The average selling price per tonne of product was decreased from approximately RMB4,239 in 2014 to approximately RMB3,355 in 2015, representing a decrease of approximately 20.9%, and the sales volumes was decreased from 679,790 tonnes in 2014 to 605,830 tonnes in 2015, representing a decrease of approximately 10.9%.

Gross profit

During the year, the Group reported a gross profit of approximately RMB85,916,000, representing a decrease of approximately RMB160,515,000 or approximately 65.1% when compared to approximately RMB246,431,000 in 2014. The Group's gross profit margin was approximately 4.2% for the year, representing a decline of 4.4 percentage point compared to 8.6% recorded in 2014. The decrease in gross profit and gross profit margin are mainly due to: (1) The competition was fiercer as a result of the decrease in market demand. Despite the Group's active adjustments of product and customer base structures, the sales volume was still adversely influenced by the change in demand which led to a double-digit decrease; (2) The market selling price of products was decreased to a greater extent than the decline in market cost of raw materials. As further responses to changes, the Group will continue to explore potential for innovation and for reducing manufacturing costs in all aspects; continue to actively adjust the product and customer base structures and enhance product quality and added-value; and conduct market research and analysis of raw materials to seize the opportunity of purchases which enables to reduce raw material procurement costs to the greatest extent and to improve profitability.

Other income and gains

For the year ended 31 December 2015, the Group's other income and gains amounted to approximately RMB50,933,000, representing an increase of approximately RMB14,847,000 or 41.1% as compared to RMB36,086,000 for 2014. The increase in other income and gains was mainly attributable to the increase in investment income from bank short-term financial products and gain from forward foreign exchange contracts on export receipts which was benefited from the Group's continuously improvement in working capital management and usage efficiency giving rise to the increase in the cashflow generated from operating activities.

Selling and distribution expenses

For the year ended 31 December 2015, the selling and distribution expenses of the Group was about RMB107,933,000, representing a decrease of approximately RMB32,238,000 or approximately 23.0% when compared to approximately RMB140,171,000 in 2014. The decrease was mainly due to the decrease in the Group's freight costs as a result of decrease in export sale volume of products and various cost-reducing measures implemented by the Group.

Administrative expenses

For the year ended 31 December 2015, the Group's administrative expenses was approximately RMB43,109,000, representing an increase of approximately RMB3,858,000 or approximately 9.8% when compared to approximately RMB39,251,000 in 2014. The increase was mainly due to the strengthened control over expenses and increase in provision made by the Group for inventories and in relation to management and control risks under the environment where the market price going down persistently.

Finance costs

The finance costs of the Group for the year ended 31 December 2015 amounted to approximately RMB8,654,000 (2014: approximately RMB6,853,000), representing an increase of approximately RMB1,801,000 or approximately 26.3% when compared with 2014. The increase was mainly due to the increase in interest expense for the increased trade financing debts as a result of better utilization of fund for investment purposes.

Net profit/(loss)

The Group's net loss attributable to owners of the parent company for the year was approximately RMB19,050,000 (2014: net profit of approximately RMB57,779,000). When compared with 2014, net profit attributable to equity holders decreased by approximately RMB76,829,000 or approximately 133%. The decrease was mainly due to the decrease in the Group's gross profit as a result of the decrease in market demand as mentioned above.

Inventories

The Group's inventories as at 31 December 2015 were approximately RMB463,143,000 (31 December 2014: approximately RMB547,714,000), representing an decrease of approximately RMB84,571,000 or 15.4% as compared with 2014. The decrease in inventories was mainly due to the fact that the Group continued to strengthen cost and risk control and the decrease in cost of raw materials and finished goods.

Net assets

The Group's net assets as at 31 December 2015 were approximately RMB1,924,733,000 (31 December 2014: approximately RMB2,225,918,000). The net assets per share as at 31 December 2015 were approximately RMB1.91 (31 December 2014: approximately RMB2.21).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group's cash and cash equivalents amounted to approximately RMB827,763,000 (31 December 2014: approximately RMB474,910,000). The cash and cash equivalents was increased by approximately RMB352,187,000 as compared with 2014 which was mainly due to the fact that the Group strengthened the management over inventories, trade receivables and trade payables during the year, as well as the application of increased funds to investment in bank financial products. As at 31 December 2015, the Group's interest-bearing loans and borrowings included bank loans of US$6,486,000, HK$91,847,000 and RMB100,000,000, equivalent to approximately RMB219,067,000 in aggregate (31 December 2014: approximately US$29,605,000 and Euro 677,000, equivalent to approximately RMB186,205,000 in aggregate) which are matured within one year. Bank loans of the Group bore fixed interest at rates ranging from 0.95% to 4.14% per annum in 2015 (2014: ranging from 1.43% to 3.70% per annum). Generally, the Group's bank loans in 2005 are mainly low-cost short-term trade finance loans denominated in foreign currencies.

The Group's focus on sound financial management and, in the period when the industry competition was fierce and the demand was weak, reduced the bank loans and borrowing as much as possible, reduced the financial costs, implemented timely management over forward foreign exchange contracts against US$ denominated receipts and applied excess fund in short-term bank financial products. Meanwhile, the Group continued to improve the usage efficiency of cash and has always been committed to building long-term relationship of mutual trust with major banks. This has provided sound support to the long-term financial position of the Group. As at 31 December 2015, the Group's debt to asset ratio was approximately 7.7% (31 December 2014: approximately 6.3%), which was interest-bearing loans and borrowings divided by total assets and presented in terms of percentage.

CHARGES ON ASSETS

Save as those pledged time deposits of RMB62,018,000, notes receivable of RMB55,494,000 and trade receivables of RMB219,067,000 for issuing bank accepted drafts, letter of credit, forward foreign exchange contracts and bank loans, as at 31 December 2015, none of the Group's property, plant and equipment and other bank deposits were pledged for securing banking facilities.

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2015, the Group did not approve any significant investment plans.

On 22 March 2014, the Group's Board of Directors approved (1) the investment in construction of a provincial technology centre of RMB7,800,000 and such technology centre is in operation during the year and the acceptance was completed; (2) investment in technological reform of production equipment of RMB11,000,000 and such investment (except for certain testing equipment) has been completed in 2014 and 2015 by stages; (3) investment in Chuzhou staff dormitory project is still in the surveying process.

Save as above, the Group did not authorise other significant investments during the year under review.

MAJOR ACQUISITION AND DISPOSAL

The Group did not make any major acquisition or disposal during the year ended 31 December 2015.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities.

FUTURE PROSPECT

In 2016, the China's economic development has entered a new norm. The China's economy maintains a medium to high speed growth and the macro-economy has more focuses on the supply-side structural reform under the conditions where the demands are properly enlarged. Though it is probable that the industry will face various challenges in short run, the structure of the industry itself will be optimized in long run when the issues of excess capacity are resolved and it will bring unprecedented opportunities to the industry.

In 2016, the Group will seize the opportunities, based on the existing equipment advantage, and highlight the characteristics and advantages of the Group's various products. With more integration of "production, marketing, research and customers", the Group will be more closer to the new markets. While adjusting product structure, the Group simultaneously adjust the customer base structure. As regards oil casing, the Group continues to carry out research and development on corrosion-resistant pipeline, high strength marine pipe and offshore line pipe, and carry out other research and development on new products like steel pipes for automobiles, 1K high-strength alloy pipes, initiates the application for certification of "the civil nuclear safety equipment manufacturing license" and completes the certification of ABS marine platform pipes and the enlarged certification of CNAS which includes the hydrogen sulfide testing standards into the scope of certification.

In 2016, the Group will continue to actively develop and maintain domestic and foreign markets, strengthen the technical marketing efforts, actively promote new network marketing model "Internet + Steel pipe", consolidate and strengthen the strategic partnership with the oil companies, increase the supply volume of oil pipe, boiler pipe, vessel pipe and alloy steel pipe, and obtain market access certification from more well-known international oil companies, boiler and shipbuilding enterprises.

With the strategic cooperation with VALLOUREC, the Group, making use of its overseas sales network resources, receives a lot of orders for oil pipes to achieve continuous growth in sales volume in the overseas oil pipe market, and at the same time, to carry out actively the research and development on high-end products in order to meet the demand in future. As regards the Sale and Purchase Agreement, it is in the process of reporting procedures to the relevant departments of the PRC government pursuant to the Company's announcements.

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 year ended 31 December 2015, the sales volume of the Group's self-produced specialized pipes was approximately 603,010 tonnes (2014: approximately 675,010 tonnes), representing a year-on-year decrease of approximately 10.7% when compared to 2014.

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

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

   For the year ended 31 December 2015, the sales volume of the Group's sourcing and distribution of specialized pipes was approximately 2,820 tonnes (2014: approximately 4,780 tonnes). When compared to 2014, the sales volume of the sourcing and distribution of specialized pipes declined by approximately 41.0%.

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

HUMAN RESOURCES

The Board believes that the quality of its employees is one of the most important factors for its development and growth and the enhancement of its profitability. As at 31 December 2015, the Company had 1,585 employees (as at 31 December 2014: 1,762 employees). The decrease in number of employees was one of the Group's measure for strengthening cost control and it was achieved with measures including technological upgrade of equipment. Lower head-count with higher efficiency was resulted from increase in the employee's work efficiency, overall ability and enterprise recognition.

The Group's remuneration package includes salaries, incentives (such as bonus based on work performance) and allowances. The Group also provides social security and benefits to its employees. Adequate provisions have been made in the accounts based on the provisions of the PRC government.

The Group is committed to maintaining good corporate culture. We are people-oriented, and focus on enhancing team cohesion and motivating staff morale incentives through establishment of a remuneration mechanism with both external competitiveness and internal equity.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

It is our longstanding belief that a high standard of corporate governance is the key to the Group's stable and effective operation and is in the interests of the Group and its shareholders in long term. Throughout the year ended 31 December 2015, 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 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.

BOARD OF DIRECTORS

Board Composition

The Board of the Group for the year comprises of:

Executive Directors:
Mr. YE Shi Qu (Chairman)
Mr. ZHANG Hu Ming (Deputy Chairman and General Manager)
Ms. FU Jun

Non-executive Directors:
Mr. LIU Peng
Mr. Bruno Saintes

Independent Non-executive Directors:
Mr. ZHAO Bin
Mr. WANG Bo
Mr. WANG Jie

In full compliance with Rules 3.10(1) and (2) of the Listing Rules, during the year ended 31 December 2015, the Group has appointed three independent non-executive directors, at least one of whom has appropriate professional accounting qualifications. The Independent Non-executive Directors of the Group are persons of high calibre; with academic and professional qualifications in the fields of accounting, law and business management. With their experience gained from senior positions held in other companies/organisations, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. The Independent Non-executive Directors do not participate in the day-to-day management of the Company, do not have any financial, business, family or other material relationships with other directors and do not involve themselves in business transactions or relationships with the Company, in order not to compromise their objectivity. All of the Independent Non-executive Directors who served in 2015 have given confirmations of their independence to the Company under Rule 3.13 of the Listing Rules, and the Group considers these Directors to be independent. Each of the Independent Non-executive Directors has been appointed for a term of 3 years. The Independent Non-executive Directors who are subject to retirement by rotation will be re-elected and appointed by separate resolutions in the Company's annual general meeting. In respect of an Independent Non-executive Director who has served more than nine years, the Company expresses its view in the circular for the Annual General Meeting as regards such Director's independence. In accordance with the Code, the Company has to include its own recommendation in the circular to explain why a particular candidate should be re-elected. As the relevant credentials of the director to be re-elected have been included in the circular for the shareholders' information, the Company opines that it is more important for the shareholders themselves to make their own independent decision on whether to approve a particular re-election or not.

The Board formulates overall strategic plans and key policies of the Group, monitors its financial performance, maintains effective oversight over the management, risks assessment and controls over business operations. The Board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned with the Group's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

Board Proceedings

The schedule of Board meetings for a year is planned in the preceding year, in order that directors can attend the meetings. All Board meetings' notices are given to all Directors in accordance with the requirements in the articles of association in advance and they can include matters for discussion in the agenda if the need arises. The Secretary to the Board or the Company Secretary assists the Board in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. The agenda and the accompanying Board papers are sent to all Directors at least 3 days before the date of Board meeting so that the Directors have the time to review the documents.

The Board meetings are usually chaired by the Chairman, Mr. Ye Shi Qu, who has the responsibility of ensuring that each of the agenda items is adequately reviewed and thoroughly deliberated within a reasonable time.

Minutes of each Board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes at the subsequent Board meeting. The Directors may request for clarification or raise comments before the minutes are signed and kept by the Company Secretary as a record of the meeting.

Every director of the Group is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary or Secretary of the Board to enable them to discharge their duties effectively, and has the liberty to seek external professional advice if so required. The cost of procuring these professional services will be borne by the Group. The directors also have direct access to the senior management and has unrestricted and immediate access to any information relating to the Company's business and affairs in the discharge of their duties. The Directors may request to be furnished with additional information or clarification, particularly in respect of complex and technical issues tabled to the Board. The Company Secretary continuously updates all Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

For the year ended 31 December 2015, four Board meetings of the Group were held. The attendance of the directors at the Board meetings and the annual or special general meeting is set out as follows:

Name of director	Number of Board meetings attended	Annual/Special general meeting attended
Mr. YE Shi Qu	4/4	3/3
Mr. ZHANG Hu Ming	4/4	3/3
Ms. FU Jun	4/4	3/3
Mr. LIU Peng	4/4	3/3
Mr. Bruno Saintes	4/4	3/3
Mr. ZHAO Bin	4/4	3/3
Mr. WANG Bo	4/4	3/3
Mr. WANG Jie	4/4	3/3

Chairman and Chief Executive Officer

For the year ended 31 December 2015, Mr. YE Shi Qu serves as the Chairman of the Group and is responsible for formulating the Group's overall strategies and business directions. Mr. ZHANG Hu Ming serves as the Deputy Chairman and General Manager of the Group. He is responsible for and devotes all his time to the daily management and operations of the Group and serves as the role of a chief executive officer. Save for Mr. YE Shi Qu who is the uncle of Mr. LIU Peng (a non-executive director of the Group), there are no family, financial, business or other relationships between the members of the Board.

Appointment and Re-election of Directors

The Group adopts a formal, considered and transparent procedure for the appointment of new Directors. The opinions of the existing Directors (including the Independent Non-executive Directors) are sought after every candidate for the position of a director is being reviewed by the Nomination Committee. Upon the adequate consideration by the Board as appropriate, the appointment will be submitted to the general meeting for approval. The existing directors are appointed with a term of three years, and the re-election or the appointment of new directors will be conducted according to the above procedures upon the expiration of the term. The Board shall from time to time review its composition with particular regard to ensuring that there is an appropriate number of Directors on the Board independent of management and having the necessary professional expertise and experience.

Directors' Code of Ethics

The Directors observe a code of ethics that is formulated and adopted to enhance the standard of corporate governance and corporate behaviour. The principles on which such code of ethics relies are those that concern transparency, integrity, accountability and corporate social responsibility taking into account the relevant provisions/requirements by the regulatory authorities.

Trading of Securities by Directors'

The Group has adopted the code of conduct regarding the trading of securities by Directors as set out in Appendix 10 of the Listing Rules. Upon specific enquiries made by the Group to all the Directors, each of them has confirmed having fully complied with the required standards for the year ended 31 December 2015.

Indemnities of Directors and Chief Executives

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.

Directors' training and professional development

During the year, the Directors are provided with monthly updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

Professional Committees under the Board

Audit Committee

The Audit Committee of the Group comprises Mr. Zhao Bin (Chairman), Mr. Wang Jie and Mr. Liu Peng, the majority of whom are independent non-executive Directors of the Group.

The primary duties of the Audit Committee include, inter alia:

1. To be primarily responsible for the making of recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any issue of its resignation or dismissal;

2. To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

3. To develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

4. To monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

5. To review the Company's financial controls, risk management and internal control systems;

6. To discuss the risk management and internal control system with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experiences, training programmes and budget of the Company's accounting and financial reporting functions;

7. To consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

8. To review the Group's financial and accounting policies and practices;

9. To review the external auditor's explanatory letter on audit to management, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response to such queries;

10. To ensure that the Board will provide a timely response to the issues raised in the external auditor's explanatory letter on audit to management;

11. To report to the Board on matters as provided in the terms of references of the Committee.

The terms of references of the Audit Committee was published on the Group's website. The Group's audited financial statements as set out in this annual report have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

The Audit Committee held two meetings during the year with a 100% attendance by all the committee members to review the Group's 2014 annual results and 2015's interim results.

Remuneration Committee
The Remuneration Committee comprises three directors, namely Mr. Wang Jie (Chairman), Mr. Zhao Bin and Mr. Liu Peng. Most of them are the independent non-executive directors of the Group.

The primary duties of the Committee shall be:

1. To make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

2. To have the delegated responsibility in determining the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of directors, employment conditions elsewhere in the Group and the adoption of performance-based remuneration;

3. To review and approve on performance-based remuneration with reference to corporate goals and objectives resolved by the Board from time to time;

4. To consider and approve the grant of share options and share appreciation rights to the eligible participants pursuant to the Share Option Scheme and the Share Appreciation Rights Scheme of the Company;

5. To prepare the annual plan for the grant of share appreciation rights pursuant to the Share Appreciation Rights Scheme of the Company, and to take up the daily administration of the Share Appreciation Rights Scheme;

6. To review and approve the compensation payable to any executive director and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

7. To consult the Chairman of the Board and/or the Chief Executive Officer of the Company regarding the recommendations for the remuneration of other executive directors;

8. To ensure the remuneration of the directors are appropriately disclosed according to the accounting principles and the Listing Rules in the annual report of the Company;

9. To resolve and handle other matters as delegated to the Remuneration Committee by the Board.

The terms of references of the Remuneration Committee was published on the Group's website.

The Remuneration Committee held one meeting during the year with a 100% attendance by all committee members. During the year under review, the Remuneration Committee has assessed performance of the executive Directors and reviewed and determined their remuneration packages. The remuneration of Directors comprises basic salary, pensions and discretionary bonus. The Remuneration Committee has also reviewed the remuneration of existing non-executive Directors. Details of the amount of emoluments of Directors for the year ended 31 December 2015 are set out in Note 9 to the financial statements.

Nomination Committee

The Nomination Committee comprises three directors, namely Mr. Wang Jie (Chairman), Mr. Zhao Bin and Mr. Liu Peng. Most of them are the independent non-executive directors of the Group.

The primary duties of the Committee shall be:

1. To review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis, and to make recommendations to the Board about any proposed change;

2. To identify individuals suitably qualified to become members of the Board, and to make recommendations to the Board for selecting or nominating candidates as directors;

3. To assess the independence of independent non-executive directors and any candidate intended to be nominated as the independent non-executive director;

4. To make recommendations to the Board on relevant matters relating to the appointment or reappointment of directors and succession planning for directors, in particular of the Chairman of the Board and the Chief Executive Officer of the Company;

5. To resolve and handle other matters as delegated to the Nomination Committee by the Board.

The terms of references of the Nomination Committee was published on the Group's website.

The Nomination Committee held one meeting during the year with a 100% attendance by all committee members.

During the year, the work performed by the Committee included the followings:

– the review of composition of the Board and

– the assessment of independence of the independent Non-executive Directors

The Board had adopted the Board Diversity Policy which sets the approach to achieve and maintain diversity of the Board to enhance quality of its performance. The Policy aims to achieve diversity through the consideration of number of factors including but not limited to skills, regional and industry experience, background, age, race, gender and other qualities. These differences will be taken into account in determining the optimum composition of the Board. All Board appointments are based on merit, in the content of the talents, skills and experience, and taking into account diversity.

The Nomination Committee will report annually on the composition of the Board under diversified perspective, and monitor the implementation of this policy to ensure its effectiveness. It will discuss any revisions that may be required and recommend such revisions to the Board for consideration and approval.

Corporate Governance Functions

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

1. To develop and review the Group's policies and practices on corporate governance and make recommendations;

2. To review and monitor the training and continuous professional development of directors and senior management;

3. To review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements;

4. To develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors of the Group; and

5. To review the Group's compliance with the Code and disclosure requirements in the Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to shareholders in a timely manner. The Directors are responsible for ensuring that the Group maintains accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the disclosure requirements of the Hong Kong Companies Ordinance ("Companies Ordinance"), the International Financial Reporting Standards ("IFRSs") and all applicable disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2015, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate IFRSs which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the financial statements.

The Board is committed to providing a balanced, clear and comprehensible assessment of the financial performance and prospects of the Group in all the disclosures made to the stakeholders and the regulatory authorities.

Timely release of interim and annual results announcements reflects the Board's commitment to provide transparent and up-to-date disclosures of the results of the Group.

The Board, assisted by the Audit Committee, oversees the financial reporting process and the quality of the financial reporting of the Group. The Audit Committee reviews and monitors the integrity of the Group's annual and interim financial statements. It also reviews the appropriateness of the Group's accounting policies and the changes to these policies as well as ensures these financial statements comply with accounting standards and regulatory requirements.

The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditors' Report attached to the Company's 2015 Annual Report.

AUDITORS' REMUNERATION

During the Year under Review, the Group paid an aggregate of approximately RMB920,000 (2014: RMB970,000) to the external auditors for their services including audit and non-audit services.

COMPLIANCE OFFICER AND COMPANY SECRETARY

Compliance Officer: Mr. Zhang Hu Ming

Company Secretary: Mr. Shum Shing Kei (fellow member of the Hong Kong Institute of Certified Public Accountants). During the year ended 31 December 2015, Mr. Shum has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge.

INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Group. The Board has developed its systems of internal controls and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Group. The executive directors and senior management of the Group have been granted corresponding authorizations to manage and monitor all operating systems of the entity and to handle the related affairs pursuant to the principles of trust and impartiality. The Audit Committee supervises the internal control system of the Group and reviews the internal audit report presented by the senior management, as well as reports any major issues and makes recommendations to the Board.

During the Year under Review and as of the date hereof, the Board considered that the prevailing internal control system of the Group is steady and is adequate to protect the interests of the shareholders, customers and employees as well as the assets of the Group. The Group has engaged sufficient employees in the accounting and finance functions, who have the resources, qualifications and experiences as well as the necessary training and budget.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. Besides, pursuant to the Articles of Association, shareholder(s) holding 5% or more of the total voting shares of the Company shall have the right to propose new motions to be included in the agenda of the Company's annual general meeting. The Company shall place such proposed motions on the agenda for such annual general meeting if they are matters falling within the functions and powers of the general meetings. In addition, shareholder(s) individually or collectively holding 10% or more of the Company's issued and outstanding voting shares may request(s) in writing for the convening of an extraordinary general meeting. All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tiandapipe.com) immediately after the relevant general meetings.

There have been no significant changes in the Company's constitutional documents during the Year.

INVESTORS RELATIONS

The Board and senior management recognize their responsibility to represent the interests of all shareholders and to maximize shareholder's value and have made the following commitments to the Group:

- continuing effort to maintain long-term stability and growth in shareholder value and return on investment;
- responsible planning, establishment and operation of the Group's core businesses;
- responsible management of the Group's investment and business risks; and
- true, fair and detailed disclosure of the financial position and operating performance of the Group.

The Group believes that shareholders' rights should be well respected and protected. The Group endeavors to maintain good communications with shareholders on its performance through interim reports, annual reports, general meetings and public disclosure on the Company's website, so that they may make an informed assessment of their investments and exercise their rights as shareholders. The Group also encourages shareholders' participation through general meetings or other means.

For the purpose of promoting the mutual communication between the Group, its shareholders and potential investors on a regular basis, the Group has set up an investor relations office to respond to the questions and enquiries from shareholders and the general public. For any enquiries, investors may write directly to the Group at its place of business in the PRC (No.4, Zhenxing Road, Tongcheng Town, Tianchang City, Anhui Province, the PRC) or e-mail to chendong@td-gg.com. They may also call us directly by phone.

REPORT OF THE DIRECTORS

The Board is pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Group is engaged in the research and development, production and sales of specialized seamless pipes.

BUSINESS REVIEW

The business review of the Group during the year, the description of the future business development, and the risks and uncertainties that the Group faces are set out in the Chairman's statement and Management Discussion and Analysis in this report. The particulars of financial risk management of the Group are set out in note 34 of the Notes to financial statements. A discussion and analysis of the Group's performance during the year is provided in the Management Discussion and Analysis in this report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income and the accompanying Notes to the financial statements on page 37 to page 90 of this report.

The board has recommended the payment of an interim special dividend of RMB12.0 cents per share (inclusive of tax) in respect of the year ended 31 December 2015. The interim special dividends were paid on 15 January 2016 to the shareholders whose names appear on the register of members of the Company on 21 December 2015 after the approval at the special general meeting dated 10 December 2015.

The board do not recommend the payment of any final dividend in respect of the year ended 31 December 2015.

SPECIAL DIVIDEND IN CONNECTION WITH THE SALE AND PURCHASE AGREEMENT

On 29 January 2016, Anhui Tianda Enterprises Group Co Ltd and Anhui Tianda Investment Co Ltd (collectively the "Vendors") entered into the Sale and Purchase Agreement with Vallourec (the "Offeror"), pursuant to which the Offeror has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the 510,000,000 Domestic Shares in the Company held by the Vendors for total consideration of HK$846,600,000, equivalent to HK$1.66 per Sale Share. Please see the announcement of the Company dated 2 February 2016 for more details (the "Announcement").

The Offeror and the Vendors have agreed in the Sale and Purchase Agreement to procure that the Company distributes a special dividend prior to the Effective Transfer Date (as defined in the Announcement). The special dividend shall be an amount determined by the Board which does not exceed the maximum amount of distributable (under applicable laws) and undistributed retained profits of the Company as appearing in the Company's audited financial statements for the year ended 31 December 2015 and is subject to the Board passing resolution regarding the special dividend and submit such proposal for the shareholders' approval in the general meeting to be held in later this year. As at 31 December 2015, the maximum amount of distributable and undistributed retained profits of the Company is approximately RMB303,758,000.

The Board has not yet reviewed any resolutions regarding the special dividend. In accordance with the Listing Rules, an announcement will be made immediately after the Board approves any decision regarding the declaration, recommendation or payment of the special dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year of 2015 are set out in note 15 of the Notes to the financial statements.

SHARE CAPITAL

Details of the issued share capital of the Group are set out in note 25 of the Notes to the financial statements.

DISTRIBUTABLE RESERVE

Following the listing of H Shares of the Group, the Group's reserves available for distribution to shareholders is the lower of its accumulated profits after tax as stated in the statutory financial statements in the People's Republic of China (the "PRC") and the financial statements prepared under International Financial Reporting Standards (the "IFRS"). As at 31 December 2015, the Group's distributable reserve after such comparison represents its accumulated profits prepared in accordance with the Accounting Standards for Business Enterprises, the Accounting System for Business Enterprises and other relevant regulations issued by the Ministry of Finance of the PRC (the "PRC GAAP") of approximately RMB303,758,000 (31 December 2014: accumulated profits prepared in accordance with PRC GAAP of approximately RMB604,943,000).

RELATIONSHIP OF STAKEHOLDERS

To the best knowledge of the Group, employees, customers and business partners are the key to have continuous sustainable development. We commit to be people oriented and build up good relationship with employees, and work together with our business partners to provide high quality products and services to achieve the goal of sustainable development and contribution to the society.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group paid high attention to environmental protection and energy conservation to enhance the capacity of sustainable development and undertake relative social responsibility.

COMPLIANCE WITH RELATED LAW AND REGULATIONS

As far as the Board and management are aware, the Group has complied all related laws and regulations in all material aspects which may have significant impact on the operation of the Group.

REMUNERATION POLICY

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, sales to the five largest customers of the Group accounted for less than 30% of the Group's total turnover. For the year ended 31 December 2015, purchases from the Group's largest supplier and five largest suppliers accounted for approximately 23.2% and 81.6% respectively of the Group's total purchases.

None of the directors, the supervisors (the "Supervisors") of the Group and their associates or any Shareholders (which to the knowledge of the directors owned more than 5% of the Group's Shares) have an interest in any of the Group's five largest customers or suppliers.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Ye Shi Qu, aged 66. He is a deputy to the Eleventh and Twelfth National People's Congress and the chairman and an executive director of the Group. Ye Shi Qu is responsible for formulating the overall strategies and business directions of the Company. Ye Shi Qu is the founder of Anhui Tianda Enterprise (Group) Company Limited ("Tianda Holding") and has been its actual controlling party since then. Ye Shi Qu had been awarded the Model of National Agricultural Labour, National Excellent County Entrepreneur, Third China Best Entrepreneur of Privately owned Enterprises, Nationwide Outstanding Huizhou Merchant and Top Ten Entrepreneur in Anhui Province. Ye Shi Qu is also the Deputy Chairman of the China Individual Labourers' Association, Enterprises Association and Entrepreneur Association of Anhui Province, Association of Industry and Commerce of Anhui Province and the Deputy Chairman of the Federation of Industrial Economics of Anhui Province. Ye Shi Qu was appointed as a director in April 2006 and was re-elected as a director on director reelection in April 2009, May 2012 and June 2015, respectively and has been involved in the Group's business since 1993 (when it was then operated by one of the Group's predecessors). Ye Shi Qu is the uncle of Liu Peng, a non-executive director.

Mr. Zhang Hu Ming, aged 47. He is the deputy chairman, an executive director, the general manager and a member of the Strategy and Risk Control Committee of the Board of the Group. Zhang Hu Ming is responsible for the daily management and operations of the Company. Zhang Hu Ming has extensive experience in the specialized seamless pipe industry and its management with about two decades of experience in the industry. Since 1995, Zhang Hu Ming was the head of Tianda Seamless Steel Pipe Factory, the head of Tianda Tianchang Seamless Steel Pipe Factory and the general manager of Tianda Specialized Steel Pipe Company. With his outstanding capabilities in business operations and management, Zhang Hu Ming was awarded National Excellent County Entrepreneur in 2005 and was a deputy of the Tenth, Eleventh and Twelfth Session of the Anhui Province People's Congress. Zhang Hu Ming graduated from the Department of Business Management in Chuzhou College (formerly known as the Vocational School for Education in Chuzhou) in 1991 with post-secondary qualification. He has also obtained a Diploma in National Economics from the Business School of Nanjing University in July 2002. Zhang Hu Ming was appointed as a director in April 2006 and reappointed as a director on director re-election in April 2009, May 2012 and June 2015, respectively and has been involved in the Group's business since 1993 (when it was then operated by one of the Group's predecessors).

Ms. Fu Jun, aged 47. She is an executive director, the deputy general manager and chief Financial officer of the Group. Fu Jun graduated from Shenzhen University in 1990, majoring in accounting, and received an EMBA degree from China Europe International Business School (CEIBS) in 2001. She has 16 years' experience as Finance Controller or CFO in listed companies and Sino-Joint Ventures and 7 years' extensive experience in providing auditing and financial consulting services. She had worked for Beijing Huahui Electronics Co., Ltd., Arthur Andersen LLP., Schneider (Beijing) Medium Voltage Co., Alpharma AHD, Shanghai GE Breakers Co., Ltd., Lafarge (China) Bejing Chinefarge Cement CO. LTD. and EOOS (China) Consulting Co., Ltd. In April 2011, she was the deputy general manager and the chief financial officer of the Group and was appointed as an executive director in June 2011 and was reappointed as a director on director re-election in May 2014.

Non-executive Directors

Mr. Liu Peng, aged 39. He is a non-executive director and a member of the Remuneration Committee, the Nomination Committee and the Audit Committee of the Board of the Group. Liu Peng graduated from the Department of Finance in Nankai University in 1997. He was awarded a degree of Master of International Business Administration jointly by the Institute of Economics and Management of Tsinghua University and Sloan School of Management under Massachusetts Institute of Technology in the US in 2003. Liu Peng has over 10 years of experience in corporate capital operation and corporate management. Liu Peng was appointed as a non-executive director in April 2006 and was reappointed as a non-executive director of the Group on director re-election in April 2009, May 2012 and June 2015, respectively. Liu Peng is the nephew of Ye Shi Qu, the Chairman.

Mr. Bruno Saintes, aged 55. He is a non-executive director of the Group. Mr. Bruno Saintes joined Vallourec Group since January 2008 and acted as CEO of VALTI Company in charge of producing and selling tubes for the bearing industry. Since November 2011, he acts as Managing Director of VMOG (China) Trading Co. and since august 2013 as managing delegate of Vallourec China, Ltd. Mr. Bruno Saintes obtained a MS Degree in automatic and controlling from ENSM (ecole Centrale de Nantes) in 1984 and Master of Business Administration from IAE in 1993. He joined the Advanced Research Center of Clermont-Ferrand of Michelin Company in 1986 and worked in Rhodia Company as Worldwide Supply Chain Director of pharmaceutical business unit, CAPEX Financial Controller and others during the period from 1990 to 2000. In September 2000, Mr. Bruno Saintes acted as Worldwide Purchasing Director for Transport and Logistics of Renault Company engaging in manufacture of motor vehicles. From 2003 to 2007, Mr. Bruno Saintes acted as Freight Business Director of French Railway Company. Bruno Saintes was appointed as a non-executive director of the Group in May 2012 and was reappointed as a non-executive director of the Group on director re-election in June 2015.

Independent Non-executive Directors

Mr. Zhao Bin, aged 50. He is an independent non-executive director, a member of the Remuneration Committee and Nomination Committee and the chairman of the Audit Committee and the Strategy and Risk Control Committee of the Board of the Group. Zhao Bin is a PRC registered accountant and a PRC registered valuer. Zhao Bin was appointed as an independent non-executive director in July 2006. Zhao Bin is the partner of Beijing Branch Office of Daxin Certified Public Accountants. Between 1996 and 2008, Zhao Bin was engaged by the auditing and valuation department at Anhui Huapo Accounting Firm (Jinhai Branch Office), Beijing Zhongxing Xinshizi Accounting Firm and Shulun Pan Certified Public Accountants (Beijing Branch Office). Zhao Bin was also engaged in the teaching and academic research of accounting, auditing, financial management and securities investment at Anhui Polytechnic University. In 1991 and 2007, Zhao Bin was awarded a master's degree by Anhui Polytechnic University (formerly known as Huainan Mining College) and a doctoral degree by China Mining University in Beijing, respectively. He was appointed as an independent non-executive director in April 2006 and was reappointed as an independent non-executive director of the Group on director re-election in April 2009, May 2012 and June 2015, respectively.

Mr. Wang Bo, aged 50. He is an independent non-executive director of the Group and a member of the Risk Control Committee of the Board of the Group. He is now Partner of CEL Partners. Prior to joining CEL Partners, Wang Bo was a founding Partner of the China Private Equity Fund of LCF Rothschild, Vice-President of Carrefour China, CFO of Promodes China and also spent more than 10 years in international banking sector. Bo holds a TRIUM Global MBA Degree from HEC, NYU Stern and the LSE. He also graduated from ENA in France and Beijing Foreign Studies University in China. Wang Bo was appointed as an independent non-executive director of the Group in July 2012 and was reappointed as an independent non-executive director of the Group on director re-election in June 2015.

Mr. Wang Jie, aged 63. He is an independent non-executive director and the chairman of the Remuneration Committee and a member of Nomination Committee and Audit Committee. Mr. Wang was graduated from the Economics Department of Anhui University in 1986 and graduated from the Anhui Class in the Central Party School of the Chinese Community Party in 1999. Mr. Wang had been working for nearly 40 years in the labour and employment department of Anhui Provincial Government, and had acted as former Deputy Head and Head of the Employment Department of Labour Bureau of Anhui Province, the Head of the Labour Inspection Department of Labour and Social Security Office of Anhui Province, the Head of the Law Enforcement Inspection Bureau of Human Resources and Social Security Office of Anhui Province. During his tenure in the government departments, he was responsible for overseeing the labour and employment security work of enterprises in Anhui Province, and he accumulated experience in corporate employment, remuneration management and other aspects. He was appointed as an independent non-executive director of the Group in May 2014.

Supervisors

Ms. Huang Yao Qi, aged 53. She is the chairman of the Supervisory Committee of the Group. Ms. Huang was graduated from Hefei Industrial University in 2002. Ms. Huang has been working in the field of financial accounting, financial analysis and financial management for more than 20 years and she is well experienced in these aspects. She joined in the Company in August 2004, and acted as the Company's financial controller since May 2006 until the reorganization following Vallourec becomes the Company's substantial shareholder. She was appointed as a supervisor of the Group in May 2014.

Mr. Didier Maurice Francis Hornet, aged 52. He is a supervisor of the Group. Mr. Didier Maurice Francis HORNET is Vallourec Group's managing director, OCTG Division. He obtained a MS Degree in Aeronautics Engineering from ENSMA Poitiers in 1987 and Master of Business Administration from IAE Paris-Sorbonne in Paris. He graduated from Harvard Executive AMP Program in 2009 (AMP 176). He joined Vallourec Group in 1993. He became a managing director of VMOG UK in Aberdeen in 2002 and leading the Vallourec Oil & Gas Business in the North Sea, managing director at OCTG Division for North America in 2004 and a managing director of the OCTG Division worldwide and member of the Executive Committee of the Vallourec Group (March 2010 – present). He was appointed as a supervisor of the Group in June 2011 and was reappointed on supervisor re-election in May 2014.

Mr. Yang Quan Fu, aged 41. He is a supervisor from staff representative of the Group. Yang Quan Fu graduated with a college degree from Hefei Industrial University with a major in economies management in June 2002. Yang Quan Fu has been engaged in the production and management related activities of the Group since he first joined the predecessor of the Group in December 1994. He was appointed as a supervisor from staff representative of the Group since April 2006.

Senior Management

Mr. Zhang Hu Ming, aged 47. He is the general manager of the Group. Details please refer to the section of the Directors' Biography details.

Mr. Yong Jin Gui, aged 41. He is the standing general manager of the Group. Yong Jin Gui graduated with a bachelor degree from Anhui Agricultural University with a major in agricultural machinery. He joined the Tianda Holdings after graduation and he has approximately 10 years of experience in corporate management. He was appointed as a director of Tianda Holding in July 2004. He was appointed as a supervisor of the Group in April 2006 and was reappointed as a supervisor on supervisor re-election in April 2009, and resigned as a supervisor as result of the reorganization of the Group in April 2011. He has been involved in the Group's business since August 2004 (when it was then operated by one of the Group's predecessors). Yong Jin Gui is also a director of several subsidiaries of Tianda Holdings. He was appointed as the standing general manager of the Group in June 2011 and responsible for assisting the general Manager with daily operation management of the company.

Ms. Fu Jun, aged 47. She is the deputy general manager and the chief financial officer of the Group. Details please refer to the section of the Directors' biography details.

Mr. Wang Yi, aged 44. He is the deputy general manager of the Group. Wang Yi graduated with a bachelor degree from Anhui Mechanical and Electrical Institute with a major in heat treatment in 1997. Wang Yi joined the Group after graduation and has been involved in the business of the Group (it was then operated by one of the Group's predecessors) since July 1997. In October 2005, he was appointed as the deputy general manager of one of the Group's predecessors. In May 2006, he was appointed as the deputy general manager of the Group and is in charge of Chuzhou City production plant.

Mr. Li Shun, aged 42. He is the deputy general manager of the Group and the chief sales director of OCTG. Li Shun graduated with a bachelor degree from Shanghai Jiaotong University with a major in electrical engineering in 1995 and obtained a master degree in international trade from University of International Business and Economics News in 1999. He joined Vallourec & Mannesmann Tubes (Beijing) Co., Ltd. as the sales director of Petroleum and natural gas Department in December 2009. Before joining Vallourec, Li Shun had worked for Tyco Electronics Corporation and National Oilwell Varco. He has over 10 years' sales experience with 7 years working in Petroleum and natural gas sector. He is the deputy general manager of the Group and chief sales director of OCTG since April 2011, assisting sales activities of OCTG products of the Company.

Mr. Zhang Chun Xiang, aged 44. He is the chief engineer of the Group. Zhang Chun Xiang graduated with a bachelor degree from Anhui Mechanical and Electrical Institute with a major in heat treatment in 1993. He joined the Group after graduation and has been involved in the Group's business since July 1993 (when it was then operated by one of the Group's predecessors). He has been engaged in quality control and technology management for over 10 years. He was the head of quality inspection division and technology division. During these years, Zhang Chun Xiang has been committed to the research and development division. New products researched and developed by him were awarded numerous incentives by the government. In October 2005, he was appointed as the chief engineer of Tianda Specialized Steel Pipe Company. In May 2006, he was appointed as the chief engineer of the Group and in charge of the research and refining of new products, research and development of products and research of techniques.

Mr. Chen Dong, aged 36. He is the secretary of the Board of the Directors of the Group. Chen Dong graduated with a bachelor's degree in Law Studies from institution of higher education. He is an associated member of Hong Kong Institute of Chartered Secretaries. Chen Dong was appointed as the Secretary of the Board of the Group with the effect from April 2006. Prior to joining the Group, he was the head for the corporate office of Tianda Holding and the Secretary to the Board. He has over 10 years of experience in corporate internal control management, monitoring and compliance.

COMPLIANCE OFFICER

Mr. Zhang Hu Ming, is the deputy chairman, an executive director, the general manager and a member of the Strategy and Risk Control Committee of the Board of the Group. Mr. Zhang's biographical information is set out in the paragraph headed "Executive Directors" in this section. Mr. Zhang advises on and assists the Board in implementing procedures to ensure that the Group complies with the Listing Rules and other relevant laws and regulations applicable to the Group and is responsible for responding efficiently to all enquiries directed to the Group by the Stock Exchange.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive and non-executive directors has entered into a service contract with the Group for a term of 3 years. These contracts are determinable by the Group upon occurrence of certain conditions as set out in these contracts or upon expiry of these contracts.

Other than as disclosed above, none of the directors of the Group has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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

As at 31 December 2015, 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%
	29,719,000 (L)	Interest in controlled corporation	(4)	2.95%
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	US$6,000,000	Interest in controlled corporation	(4)	100%
Tianda Holding	Zhang Hu Ming	RMB9,166,700	Beneficial owner		3.92%

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 ("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% of 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 equity interest in Tianfa International. Tianfa International holds 29,719,000 H Shares. Accordingly, Ye Shi Qu is deemed to be interested in these additional 29,719,000 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 31 December 2015.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

So far as is known to the directors, supervisors and chief executives of the Group, as at 31 December 2015, none of the directors, supervisors or chief executives of the Group nor any of their spouses and children under 18 years of age had any interests in, or has been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Group or to acquire H Shares.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraph headed "CONNECTED AND RELATED PARTY DISCLOSURE" stated in note 30 of the Notes to the Financial Statements, no contract of significance in relation to the Group's business, to which the Group was a party and in which a director or a supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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 31 December 2015, 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%
	29,719,000 (L)	Interest in controlled corporation	(5)	5.97%	2.95%
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%
	29,719,000 (L)	Interest in controlled corporation	(5)	5.97%	2.95%
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.	59,662,597 (L)	Investment Manager		11.99%	5.92%
JPMorgan Chase & Co.	22,000 (L)	Beneficial owner		5.98%	2.95%
	11,000 (S)	Beneficial owner			
	29,725,741 (L)	Custodian corporation/ approval lending agent			
	29,736,741 (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% of 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 equity interest in Tianfa International. Tianfa International holds 29,719,000 H Shares. Accordingly, Ye Shi Qu is deemed to be interested in these additional 29,719,000 H Shares in the Company.

Save as disclosed above, as at 31 December 2015, the directors were not aware of any persons or entities (other than the directors, supervisors and chief executive of the Group) who had an interest or short position in the shares or underlying shares of the Group as recorded on 31 December 2015 in the register required to be kept by the Group under section 336 of the SFO.

CONTINUING CONNECTED TRANSACTION

On 7 November 2014, the Company entered into a new sales agreement with Vallourec Oil & Gas France, VOG (China) Trading Co., Ltd, Vallourec Asia Pacific Corp Pte., Ltd., (formerly known as Seamless Tubes Asia Pacific Pte. Ltd.) and Vallourec Middle East FZE (all of which are the subsidiaries of Vallourec), pursuant to which the Company appoints the Distributors as (i) its exclusive distributor for the promotion and sale of seamless casing and tubing and/or plain end or green pipe for seamless casing and tubing and/or drill pipe applications, manufactured by the Company ("Oil Pipe Products"), worldwide except in the PRC (the "Territory"). The Company shall sell the Oil Pipe Products only to the Distributors for resale in the Territory, and the Company shall not sell the Oil Pipe Products to users in the Territory; (ii) its exclusive distributor of premium products (the "Premium Products") but limiting to the condition where the Distributors purchase and further process the Premium Products into premium products threaded with premium connection for re-sales worldwide; and (iii) as its non-exclusive distributor for promotion and sales of products other than the Oil Pipe Products and Premium Products ("Other Products") within the Territory.

The New Sales Agreement shall be effective for the three years ending 31 December 2017 and the Annual Caps for the year ending 31 December 2015, 2016 and 2017 are RMB1,000,000,000, RMB1,200,000,000 and RMB1,400,000,000, respectively.

The New Sales Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps were approved by the Company's independent shareholders at the special general meeting dated 23 January 2015.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued* by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. The auditors' letter confirmed that nothing has come to their attention that cause them to believe that the aforesaid continuing connected transactions (1) have not been approved by the board of directors of the Company; (2) are not, in all material respects, in accordance with the pricing policies of the Group; (3) have not been entered into, in all material respects, in accordance with the terms of the relevant agreements governing the transactions; and (4) have exceeded the maximum aggregate annual value disclosed in the previous announcements made by the Company.

The independent non-executive Directors have reviewed the continuing connected transactions set out above and in note 30 to the financial statements and have confirmed that the continuing connected transactions have been entered into (1) in the ordinary and usual course of business of the Company; (2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and (3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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.

DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS

For the year ended 31 December 2015, 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 Group. All directors have confirmed that they have complied with the non-competition provisions under their respective service contracts with the Group since the listing of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Group or the laws of the PRC, which would oblige the Group to offer new Shares on a pro-rata basis to existing Shareholders.

EVENTS AFTER THE BALANCE SHEET DATE

Details of the events occurred after the Balance Sheet Date are set out in Note 35 to the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Group has not purchased or redeemed any of its listed securities during the year ended 31 December 2015.

AUDITORS

The financial statements for the year ended 31 December 2015 prepared under the IFRS have been audited by Ernst & Young. The Group's Audit Committee has recommended and acquired the approval of the directors to propose at the forthcoming annual general meeting a resolution to reappoint Ernst & Young to act as the auditor of the Group for the year 2016.

By Order of the Board
Ye Shi Qu
Chairman

Anhui, the PRC, 31 March 2016

REPORT OF THE SUPERVISORS

In 2015, in accordance with the relevant provisions of the Company Law of the People's Republic of China (the "**Company Law**") and Articles of Association of the Group, and in compliance with the principle of integrity, all members of the Supervisory Committee of the Group (the "**Supervisory Committee**") performed their duties of supervision on the Board's decision making with a view to protecting shareholders' interests in line with the Board's accountability to all shareholders. The Supervisory Committee monitored the operations and financial position as well as the performance of senior management of the Group for the year 2015. On behalf of the Supervisory Committee, I hereby present our report for 2015:

1. OVERVIEW OF THE WORK OF THE SUPERVISORY COMMITTEE

The Supervisory Committee conducted on-site inspections of the operations and financial position of the Group, and reviewed the financial statements of the Group. In 2015, the Supervisory Committee held 2 meetings and the holding of such meetings were in compliance with the relevant provisions of the Company Law and the Articles of Association of the Group.

The Supervisory Committee has duly supervised and examined the procedures for convening board meetings, resolutions, execution of resolutions of shareholders' general meetings by the Board, performance of duties by senior management of the Group, as well as the healthy establishment and consistent implementation of the Group's internal management system.

The Supervisory Committee is of the view that the Board and senior management of the Group operated in accordance with the Company Law, Securities Law of the PRC, the Articles of Association of the Group as well as other relevant rules and regulations of Hong Kong, and all operating activities were in compliance with laws and regulations. Through the adoption of various systems, the Group further improved its corporate governance structure and internal management policies which have formed the basic internal control system of the Group. When examining the financial position of the Group and monitoring the performance of Directors and senior management of the Group, the Supervisory Committee was not aware of any act detrimental to the interests of the Group and shareholders as a whole, nor was there any act in breach of laws, regulations, the articles of association or rules and policies of the PRC and Hong Kong.

2. EXAMINATION OF FINANCIAL POSITION OF THE GROUP

The Supervisory Committee earnestly examined the financial statements and the annual report of the Group for 2015 issued by the auditors of the Group.

The Supervisory Committee considers that the audited financial statements truly and sufficiently reflect the operating results and asset positions of the Group. The Supervisory Committee also reviewed the Director's report and the profit distribution proposal. The Group considers that the above report and proposal meets the requirements of the relevant regulations and the Articles of Association of the Group. The Supervisory Committee attended the meetings of the Board of Directors (the "Board") and considers that the members of the Board and other senior management of the Group have strictly complied with the principle of honesty and trustworthiness, worked diligently and acted sincerely in the best interests of the Group. As at the date of this report, the Supervisory Committee was not aware of any of the directors and the senior management of the Group having abused their powers, caused damage to the interests of the Group or infringed upon the interests of the Group and its staff, nor have they violated any laws, regulations or the Group's Articles of Association.

3. CONNECTED TRANSACTIONS

The Supervisory Committee is of the view that the connected transactions of the Group for 2015 were conducted on the principles of fairness and equality at reasonable prices. No act detrimental to shareholders' interests as a whole was found.

Huang Yao Qi
Chairman of the Supervisory Committee
Anhui, the PRC

31 March 2016

INDEPENDENT AUDITORS' REPORT

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道 1 號
中信大廈 22 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of Anhui Tianda Oil Pipe Company Limited
(A joint stock company established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Anhui Tianda Oil Pipe Company Limited (the "Company") and its subsidiaries set out on pages 37 to 90, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5	**2,032,445**	2,881,955
Cost of sales		**(1,946,529)**	(2,635,524)
Gross profit		**85,916**	246,431
Other income and gains	6	**50,933**	36,086
Selling and distribution expenses		**(107,933)**	(140,171)
Administrative expenses		**(43,109)**	(39,251)
Other expenses	6	**(2,269)**	(18,826)
Finance costs	7	**(8,654)**	(6,853)
PROFIT/(LOSS) BEFORE TAX	8	**(25,116)**	77,416
Income tax credit/(expense)	11	**6,066**	(19,637)
PROFIT/(LOSS) FOR THE YEAR		**(19,050)**	57,779
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(19,050)**	57,779
Profit attributable to:			
Owners of the parent		**(19,050)**	57,779
Total comprehensive income attributable to:			
Owners of the parent		**(19,050)**	57,779
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB cents)	13	**(1.89)**	5.73

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1,039,664**	1,156,880
Prepaid land lease payments	16	**24,706**	25,358
Deferred tax assets	11	**11,160**	5,094
Total non-current assets		**1,075,530**	1,187,332
CURRENT ASSETS			
Inventories	17	**463,143**	547,714
Trade and notes receivables	18	**365,258**	559,404
Prepayments, deposits and other receivables	19	**121,421**	170,113
Tax recoverable	11	**4,982**	–
Cash and cash equivalents	20	**827,763**	474,910
Total current assets		**1,782,567**	1,752,141
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	21	**219,067**	186,205
Derivative financial instruments	22	**–**	2,177
Trade and notes payables	23	**421,432**	306,809
Tax payable	11	**–**	13,866
Dividend payable		**120,915**	–
Other payables and accruals	24	**171,950**	204,498
Total current liabilities		**933,364**	713,555
NET CURRENT ASSETS		**849,203**	1,038,586
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,924,733**	2,225,918
NET ASSETS		**1,924,733**	2,225,918

	Notes	2015 RMB'000	2014 RMB'000
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Issued capital	25	**503,813**	503,813
Reserves	26	**1,420,920**	1,722,105
TOTAL EQUITY		**1,924,733**	2,225,918

YE Shi Qu
Director

ZHANG Hu Ming
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the parent				
	Issued capital RMB'000 (note 25)	Share premium account RMB'000 (note 26)	Statutory surplus reserve RMB'000 (note 26)	Retained profits RMB'000 (note 26)	Total RMB'000
1 January 2014	503,813	1,002,166	109,218	714,162	2,329,359
Total comprehensive income for the year	–	–	–	57,779	57,779
Appropriation of statutory reserve	–	–	5,778	(5,778)	–
Final 2013 dividend declared	–	–	–	(161,220)	(161,220)
At 31 December 2014 and 1 January 2015	503,813	1,002,166	114,996	604,943#	2,225,918
Total comprehensive income for the year	–	–	–	(19,050)	(19,050)
Final 2014 dividend declared	–	–	–	(161,220)	(161,220)
Interim 2015 dividend	–	–	–	(120,915)	(120,915)
At 31 December 2015	503,813	1,002,166*	114,996*	303,758*	1,924,733

Retained profits have been adjusted for the proposed final 2014 dividend in accordance with the current year's presentation, which is described in note 2.4 to the financial statements.

* These reserve accounts comprise the consolidated reserves of RMB1,420,920,000 (2014: RMB1,722,105,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:		**(25,116)**	77,416
Adjustments for:			
Depreciation	8	**152,102**	161,899
Amortisation of prepaid land lease payments	8	**652**	653
Provision/(reversal) of impairment of trade receivables	8	**(774)**	975
Write-down of inventories to net realisable value	8	**14,814**	3,850
Finance costs		**5,526**	5,647
Interest income	6	**(1,842)**	(3,503)
Investment income from bank financial products	6	**(37,592)**	(23,223)
Fair value losses/(gains), net	6	**(2,177)**	16,591
		105,593	240,305
Decrease in inventories		**69,757**	17,381
Decrease/(increase) in trade and notes receivables		**194,920**	(131,091)
Decrease in prepayments, deposits and other receivables		**48,663**	190,186
Increase/(decrease) in trade and notes payables		**114,623**	(189,519)
Increase/(decrease) in other payables and accruals		**(45,564)**	20,550
Cash generated from operations		**487,992**	147,812
Income tax paid	11	**(18,848)**	(18,722)
Net cash flows from operating activities		**469,144**	129,090

	Notes	2015 RMB'000	2014 RMB'000
Net cash flows from operating activities		**469,144**	129,090
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,871**	4,556
Purchases of items of property, plant and equipment		**(21,532)**	(47,376)
Investments in bank financial products		**(5,906,966)**	(2,956,679)
Cash collected from investments in bank financial products		**5,944,558**	2,991,902
Net cash flows from/(used in) investing activities		**17,931**	(7,597)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from interest-bearing loans and borrowings		**731,571**	785,809
Repayment of interest-bearing loans and borrowings		**(699,507)**	(746,817)
Interest paid		**(5,732)**	(5,458)
Dividends paid		**(161,220)**	(161,220)
Net cash flows used in financing activities		**(134,888)**	(127,686)
Net increase/(decrease) in cash and cash equivalents		**352,187**	(6,193)
Cash and cash equivalents at beginning of year		**474,910**	481,103
Effect of foreign exchange rate changes, net		**666**	–
Cash and cash equivalents at end of year		**827,763**	474,910
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**827,763**	474,910
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		**827,763**	474,910

1. CORPORATE AND GROUP INFORMATION

Anhui Tianda Oil Pipe Company Limited (the "Company"), was established as a limited liability company by Anhui Tianda Enterprise (Group) Company Limited ("Tianda Holding") on 23 June 2004 in the People's Republic of China (the "PRC"). On 13 April 2006, the Company was re-registered as a joint stock company with limited liability.

On 1 December 2006, the Company issued new H shares by way of international placing and those H shares were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "HKEx").

The Company withdrew its listing from the GEM of the HKEx so as to arrange its H shares to be listed on the Main Board of the HKEx on 24 December 2007 by way of introduction.

On 1 April 2011, the Company issued 196,000,000 new H shares at a price of HK$3.96 per share to Vallourec & Mannesmann Tubes ("Vallourec"). The net proceeds from the above share issuance, after deducting the related issuing expenses, were approximately RMB652,857,000.

In the opinion of the directors, the holding company of the Company is Tianda Holding. Mr. Ye Shi Qu (葉世渠) held an 85.14% equity interest in Tianda Holding as at 31 December 2015, and therefore is the substantive shareholder of the Company.

The Company and its subsidiary (the "Group") are principally engaged in the design, manufacture and sale of specialised seamless pipes for the oil and natural gas industry, including oil well pipes (oil transfer pipes and casing pipes) and petrochemical pipes, as well as other specialised seamless pipes for vessels, boilers and other purposes. The registered office and principal place of business of the Company is located at Zhenxing Road, Tongcheng Town, Tianchang City, Anhui Province, the PRC.

Information about the subsidiary

Particulars of the Company's subsidiary are as follows:

Company name	Place of Incorporation/ operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activity
			Direct	Indirect	
Hongkong Tianda Oil Pipe Company limited (香港天大石油管材股份有限公司)	Hong Kong	–	100	–	Dormant

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements to IFRSs 2010–2012 Cycle	
Annual Improvements to IFRSs 2011–2013 Cycle	

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing Rules") issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 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*[3]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Amendments to IFRS 10 IFRS 12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[6]
IFRS 15	*Revenue from Contracts with Customers*[3]
IFRS 16	*Leases*[4]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[2]
Amendments to IAS 7	*Disclosure Initiative*[2]
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 No specific effective date but early adoption is permitted
6 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

Depreciation of property, plant and equipment is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.7%
Plant and machinery	9.5%
Motor vehicles	9.5%
Office equipment and other equipment	9.5% to 19%

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

As at the end of the reporting period, the Group has no financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial investments, or derivatives designated as hedging instruments in an effective hedge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in administrative expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and notes payables, other payables and interest-bearing loans and borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The functional currency of the overseas subsidiary is currency other than the RMB. As at the end of the reporting period, the assets and liabilities of the entity are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and its profit or loss is translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated included in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiary are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiary which arise throughout the year are translated into RMB at the weighted average exchange rate for the year.

Retirement benefits

Obligatory retirement benefits in the form of contributions under a defined contribution retirement scheme administered by local government agencies are charged to profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives and residual values of property, plant and equipment

The directors of the Company determine the estimated useful lives and residual values and consequently related depreciation charges. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. The directors will increase the depreciation charge where useful lives and residual values are less than previously estimated, or they will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Estimated impairment of receivables

The Group records impairment of receivables based on an assessment of the recoverability of trade receivables and prepayments, deposits and other receivables. The identification of impairment of receivables requires the directors' estimates. Where the expectation is different from the original estimate, the difference will impact the carrying values of the trade receivables and prepayments, deposits and other receivables and impairment expenses in the period in which the estimates have been changed.

Estimated write-down of inventories to net realisable value

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. The assessment of write-down requires directors' judgement and estimates. Where the expectation is different from the original estimate, the difference will impact the carrying values of inventories and write-down of inventories in the period in which the estimates have been changed.

Deferred tax assets

Deferred tax assets are recognised for all temporary non-deductible provisions and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary non-deductible provision can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to temporary non-deductible provisions at 31 December 2015 was RMB11,160,000 (2014: RMB5,094,000). Further details are contained in note 11 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are attributable to a single operating segment. Therefore, no analysis by operating segment is presented.

Geographical information

(a) *Revenue from external customers*

	2015	2014
	RMB'000	RMB'000
Mainland China	**1,307,903**	1,864,686
Other countries	**724,542**	1,017,269
	2,032,445	2,881,955

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

(b) *Non-current assets*

	2015	2014
	RMB'000	RMB'000
Mainland China	**1,064,370**	1,182,238
Other countries	**–**	–
	1,064,370	1,182,238

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about a major customer

Revenue of approximately RMB346,646,000 was derived from sales to a customer in 2015 (2014: RMB645,013,000), including sales to a group of entities which are known to be under common control with that customer.

5. 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 where applicable during the year.

	2015	2014
	RMB'000	RMB'000
Sale of goods	**2,032,445**	2,881,955

6. OTHER INCOME AND GAINS AND OTHER EXPENSES

	2015 RMB'000	2014 RMB'000
Other income and gains		
Investment income from bank financial products	**37,592**	23,223
Government grants	**7,638**	1,785
Investment income from foreign exchange forward contracts not qualifying as hedges	**1,490**	7,068
Fair value gains, net	**2,177**	–
Bank interest income	**1,842**	3,503
Others	**194**	507
	50,933	36,086

Government grants have been received from the local government authorities as subsidies to the Group. There are no unfulfilled conditions or contingencies attaching to these grants.

	2015 RMB'000	2014 RMB'000
Other expenses		
Bank charges	**1,490**	2,228
Fair value losses, net	**–**	16,591
Others	**779**	7
	2,269	18,826

7. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Bank loan interest	**5,394**	5,647
Foreign exchange losses	**3,260**	1,206
	8,654	6,853

8. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2015 RMB'000	2014 RMB'000
Cost of inventories sold		**1,946,529**	2,635,524
Depreciation	15	**152,102**	161,899
Amortisation of prepaid land lease payments	16	**652**	653
Provision/(reversal) of impairment of trade receivables	18	**(774)**	975
Write-down of inventories to net realisable value		**14,814**	3,850
Research costs		**26**	51
Auditors' remuneration		**920**	970
Staff costs (including directors', chief executive's and supervisors' remuneration as set out in note 9):			
– Salaries and other staff costs		**88,485**	101,710
– Retirement benefit contributions		**15,239**	15,665
Foreign exchange difference, net		**3,260**	1,206

9. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION

The Company does not have the position of chief executive. Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 RMB'000	2014 RMB'000
Fees	**150**	126
Other emoluments:		
– Salaries, allowances and benefits in kind	**312**	293
– Performance-related bonuses	**1,476**	1,431
– Retirement benefit contributions	**37**	38
	1,825	1,762
	1,975	1,888

9. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2015 RMB'000	2014 RMB'000
Zhao Bin	**50**	50
Wang Bo	**50**	50
Wang Jie	**50**	26
	150	126

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

(b) Executive directors, non-executive directors and supervisors

	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Retirement benefit contributions RMB'000	Total remuneration RMB'000
2015				
Directors:				
Ye Shi Qu	72	495	2	569
Zhang Hu Ming	72	495	11	578
Liu Peng	–	–	–	–
Fu Jun Iris	–	–	–	–
Bruno Saintes	–	–	–	–
	144	990	13	1,147
Supervisors:				
Yang Quan Fu	48	12	11	71
Geng Wei Long	63	74	11	148
Huang Yao Qi	57	400	2	459
Didier Maurice Francis Hornet	–	–	–	–
	168	486	24	678

9. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Executive directors, non-executive directors and supervisors (continued)

	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Retirement benefit contributions RMB'000	Total remuneration RMB'000
2014				
Directors:				
Ye Shi Qu	76	495	10	581
Zhang Hu Ming	76	495	10	581
Liu Peng	–	–	–	–
Fu Jun Iris	–	–	–	–
Bruno Saintes	–	–	–	–
	152	990	20	1,162
Supervisors:				
Yang Quan Fu	52	10	10	72
Geng Wei Long	27	31	4	62
Huang Yao Qi	62	400	4	466
Didier Maurice Francis Hornet	–	–	–	–
	141	441	18	600

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year ended 31 December 2015 (2014: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2014: three) directors and supervisors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2014: two) non-director or non-supervisor, highest paid employees for the year are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	116	70
Performance-related bonuses	645	839
Retirement benefit contributions	22	10
	783	919

The number of non-director or non-supervisor, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2015	2014
Nil to HK$1,000,000	2	2

11. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year ended 31 December 2015 (2014: Nil).

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

The major components of income tax expense for the years ended 31 December 2015 and 2014 are as follows:

	2015 RMB'000	2014 RMB'000
Current – Mainland China		
Charge for the year	–	24,991
Deferred:		
Relating to origination of temporary differences	(6,066)	(5,354)
Total tax charge/(credit) for the year	(6,066)	19,637

11. INCOME TAX (CONTINUED)

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

	2015 RMB'000	2014 RMB'000
Profit/(loss) before income tax	**(25,116)**	77,416
Tax at the applicable tax rate of 25%	**(6,279)**	19,354
Expenses not deductible for tax	**213**	283
Tax charge/(credit) at the Group's effective rate	**(6,066)**	19,637
Effective tax rate	**24.15%**	25.37%

The movements in income tax payable/(recoverable) during the years ended 31 December 2015 and 2014 are as follows:

	2015 RMB'000	2014 RMB'000
At beginning of year	**13,866**	7,597
Provision for the year	**–**	24,991
Payment during the year	**(18,848)**	(18,722)
At end of year	**(4,982)**	13,866

11. INCOME TAX (CONTINUED)

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Provision for impairment of assets RMB'000	Fair value adjustments arising from derivative financial instruments RMB'000	Total RMB'000
At 1 January 2014	–	3,343	–	3,343
Deferred tax credited to profit or loss during the year	–	1,207	544	1,751
Gross deferred tax assets at 31 December 2014 and 1 January 2015	–	4,550	544	5,094
Deferred tax credited/(charged) to profit or loss during the year	3,150	3,460	(544)	6,066
Gross deferred tax assets at 31 December 2015	3,150	8,010	–	11,160

Deferred tax liabilities

	Fair value adjustments arising from derivative financial instruments RMB'000
At 1 January 2014	3,603
Deferred tax credited to profit or loss during the year	(3,603)
Gross deferred tax liabilities at 31 December 2014	–

12. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Interim special dividend – RMB12.0 cents (2014: Nil) per ordinary share	**120,915**	–
Proposed final dividend – Nil (2014: RMB4.0 cents) per ordinary share	**–**	40,305
Proposed special dividend – Nil (2014: RMB12.0 cents) per ordinary share	**–**	120,915
	120,915	161,220

The board of directors of the Company do not propose a final dividend for the year ended 31 December 2015.

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss (2014: earnings) per share is based on the loss (2014: 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 year (2014: 1,007,626,000).

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

14. RETIREMENT BENEFIT CONTRIBUTIONS

As stipulated by the PRC regulations, the Company participates in a defined contribution retirement scheme. All formal employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of their last employment at their retirement date. The Group is required to make contributions to the local social insurance bureau at a rate of 20% of the average basic salaries for the employees of the Group in Mainland China. The Company has no obligations for the payment of pension benefits beyond the annual contributions to the local social insurance bureau as set out above.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
As at 1 January 2014	406,421	1,552,742	2,505	43,530	5,620	2,010,818
Additions	–	1,182	–	–	24,320	25,502
Transferred from construction in progress	–	14,859	59	4,937	(19,855)	–
As at 31 December 2014 and 1 January 2015	406,421	1,568,783	2,564	48,467	10,085	2,036,320
Additions	219	3,922	–	–	30,745	34,886
Transferred from construction in progress	5,601	27,502	–	2,660	(35,763)	–
As at 31 December 2015	412,241	1,600,207	2,564	51,127	5,067	2,071,206
Accumulated depreciation:						
As at 1 January 2014	50,940	644,549	367	21,685	–	717,541
Charge for the year	11,039	146,750	242	3,868	–	161,899
As at 31 December 2014 and 1 January 2015	61,979	791,299	609	25,553	–	879,440
Charge for the year	11,070	136,487	235	4,310	–	152,102
As at 31 December 2015	73,049	927,786	844	29,863	–	1,031,542
Net book value:						
As at 31 December 2015	339,192	672,421	1,720	21,264	5,067	1,039,664
As at 31 December 2014	344,442	777,484	1,955	22,914	10,085	1,156,880

All buildings of the Group are located in Mainland China.

16. PREPAID LAND LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Cost:		
At beginning and end of year	**31,573**	31,573
Accumulated amortisation:		
At beginning of year	**6,215**	5,562
Charge for the year	**652**	653
At end of year	**6,867**	6,215
Net book value at end of year	**24,706**	25,358

17. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	**217,846**	244,060
Work in progress	**6,245**	8,558
Finished goods and merchandises	**234,865**	286,358
Consigned processing goods	**4,187**	8,738
	463,143	547,714

Included in inventories as at 31 December 2015 were costs of certain inventories of RMB127,794,000 (31 December 2014: RMB120,190,000), which were carried at a net realisable value.

18. TRADE AND NOTES RECEIVABLES

	2015 RMB'000	2014 RMB'000
Notes receivable from domestic third parties	**84,713**	149,983
Trade receivables from overseas customers	**74,905**	243,292
Trade receivables from domestic customers	**205,640**	167,104
	280,545	410,396
Impairment	**–**	(975)
	365,258	559,404

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 100 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.

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

	2015 RMB'000	2014 RMB'000
Outstanding balances with ages:		
Within one year	**280,492**	407,299
Between one and two years	**53**	3,097
	280,545	410,396

18. TRADE AND NOTES RECEIVABLES (CONTINUED)

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

	2015 RMB'000	2014 RMB'000
At beginning of year	**975**	–
Impairment losses recognised/(reversed)	**(774)**	975
Amount written off as uncollectible	**(201)**	–
At end of year	**–**	975

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**280,545**	407,098

Receivables that were neither past due nor impaired relate to many diversified customers from whom there was no recent history of default.

Included in the Group's trade receivables were amount due from Vallourec Oil & Gas (China) Co., Ltd. ("VOGC") of approximately RMB66,432,000 (2014: RMB64,871,000), from Vallourec Oil & Gas France ("VOGF") of nil (2014: RMB177,936,000), and from Vallourec Middle East FZE ("VME") of nil (2014: RMB6,902,000), which were all payable on a credit term of 45 days.

As at 31 December 2015, the Group had pledged notes receivable of approximately RMB55,494,000 (2014: RMB76,807,000) to secure bank accepted drafts issued by banks.

As at 31 December 2015, the Group had pledged trade receivables of approximately RMB219,067,000 (2014: RMB186,205,000) to secure bank loans.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Prepayments	**27,916**	71,013
Deposits and other receivables	**93,392**	98,958
Bank interest receivables	**113**	142
	121,421	170,113
Impairment	**–**	–
	121,421	170,113

All balances are unsecured, interest-free and have no fixed terms of repayment.

Included in the Group's deposits and other receivables were (i) time deposits of RMB62,018,000 to the banks to secure the bank accepted drafts and letters of credit (2014: RMB31,671,000); and (ii) the net input value-added tax ("VAT") of RMB29,762,000 (2014: RMB65,525,000) arising from the purchase of items of property, plant and equipment after deducting the output VAT for domestic sales.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	2015 RMB'000	2014 RMB'000
Cash and bank balances		**729,963**	145,240
Short-term deposits with maturity of three months or less		**97,800**	329,670
Short-term deposits with maturity of over three months		**62,018**	31,671
		889,781	506,581
Less: Pledged time deposits for bank accepted drafts	19	**(59,183)**	(30,667)
Pledged time deposits for letters of credit	19	**(2,835)**	(1,004)
Cash and cash equivalents		**827,763**	474,910

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB813,451,000 (2014: RMB453,284,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

21. INTEREST-BEARING LOANS AND BORROWINGS

	2015			2014		
	Contractual interest rate (%)	**Maturity**	**RMB'000**	Contractual interest rate (%)	Maturity	RMB'000
Current:						
Bank loans	**0.95–4.14**	**2016**	**219,067**	1.43–3.70	2015	186,205

	2015 RMB'000	2014 RMB'000
Analysed into:		
Bank loans:		
Within one year	**219,067**	186,205

The bank loans as at 31 December 2015 and 31 December 2014 bore interest at fixed rates.

As at 31 December 2015, the Group's loans were secured by the pledge of certain of the Group's trade receivables amounting to RMB219,067,000 (2014: RMB186,205,000).

As at the end of the reporting period, the bank loans were denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
US$	**42,117**	181,153
RMB	**100,000**	–
HK$	**76,950**	–
Euro	**–**	5,052
	219,067	186,205

22. DERIVATIVE FINANCIAL INSTRUMENTS

The Group did not have derivative financial instruments as at 31 December 2015.

2014

	Liabilities RMB'000
Foreign exchange forward contracts	2,177
Portion classified as non-current	–
Current portion	2,177

The above foreign exchange forward contracts did not qualify for hedge accounting. The changes in the net fair value losses of RMB2,177,000 were debited to profit or loss during the year ended 31 December 2014 (2015: Nil).

23. TRADE AND NOTES PAYABLES

	2015 RMB'000	2014 RMB'000
Notes payable to third parties	**289,931**	184,030
Trade payables to third parties	**131,501**	122,779
	421,432	306,809

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

All trade payable balances were unsecured, interest-free and 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:

	2015 RMB'000	2014 RMB'000
Outstanding balances with ages:		
Within one year	**404,366**	287,775
Between one and two years	**11,382**	11,472
Between two and three years	**3,508**	2,124
Over three years	**2,176**	5,438
	421,432	306,809

The notes payable to third parties represent the issued bank accepted drafts, secured by the pledge of certain of the Group's time deposits of RMB59,183,000 and notes receivable of RMB55,494,000 as at 31 December 2015 (2014: time deposits of RMB30,667,000 and notes receivable of RMB76,807,000).

24. OTHER PAYABLES AND ACCRUALS

	2015 RMB'000	2014 RMB'000
Advances from customers	**39,086**	50,000
Payroll payables	**41,013**	44,080
Other payables	**91,851**	110,418
	171,950	204,498

Except for a miscellaneous tax payable of RMB8,791,000 (2014: RMB13,416,000) included in other payables, 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.

25. ISSUED CAPITAL

	2015 RMB'000	2014 RMB'000
Shares		
Registered, issued and fully paid:		
Domestic shares of RMB0.50 each, currently not listed	**255,000**	255,000
H shares of RMB0. 50 each	**248,813**	248,813
	503,813	503,813

The Company was re-registered as a joint stock company on 13 April 2006 by the issuance of 170,000,000 fully paid domestic shares with a nominal value of RMB1.00 each to the then shareholders.

On 7 September 2006, the China Securities Regulatory Commission (the "CSRC") approved the Company's subdivision of one domestic share of a nominal value of RMB1.00 into two domestic shares of RMB0.50 each.

Pursuant to the approval document issued by the CSRC, Zheng Jian Guo He Zi [2006] No.17, the Company was authorised to issue new H shares. On 1 December 2006, 145,714,000 H shares with a nominal value of RMB0.50 each were issued to the public by way of international offering at a price of HK$3.00 (equivalent to approximately RMB3.02145) per share. On 7 December 2006, 21,856,000 H shares under an over-allotment option arrangement with a nominal value of RMB0.50 each were issued at a price of HK$3.00 (equivalent to approximately RMB3.02037) per share. The net proceeds from the above share offer, after deducting the related underwriting and other expenses, were RMB464,242,000.

25. ISSUED CAPITAL (CONTINUED)

On 23 May 2008, the Company issued and allotted bonus shares to each of the shareholders, whose names were recorded on the Company's register of members on 28 April 2008. Each of these shareholders was offered five new shares for every ten shares held as a bonus issue.

On 11 December 2009, a total of 50,271,000 new H Shares were placed at a price of HK$4.00 (equivalent to approximately RMB3.5236) per share. The net proceeds from the above share offer, after deducting the related underwriting and other expenses, were approximately RMB172,792,000.

On 1 April 2011, the Company issued 196,000,000 new H shares at a price of HK$3.96 per share to Vallourec. The net proceeds from the above share issuance, after deducting the related issuing expenses, were approximately RMB652,857,000.

There was no movement in the Company's issued capital during the years ended 31 December 2015 and 2014.

	Number of shares in issue '000	Issued capital RMB'000	Share premium account RMB'000	Total RMB'000
At 31 December 2014 and at 31 December 2015	1,007,626	503,813	1,002,166	1,505,979

26. RESERVES

Statutory surplus reserve

In accordance with the Company Law of the PRC and the articles of association of the Company, the Company is required to allocate 10% of its profit after tax, as determined in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China in 2006 ("PRC GAAP") applicable to the Company, to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of the registered capital of the Company. Subject to certain restrictions set out in the Company Law of the PRC, part of the SSR may be converted to increase the paid-up capital of the Company, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital prior to such conversion.

Distributable reserves

Regarding dividends, the amount that the Company can legally distribute is based on the lesser amount of the retained profits determined in accordance with PRC GAAP and those under IFRSs.

In accordance with the Company Law of the PRC, profit after tax can be distributed as dividends after the transfer to the SSR, as set out above.

27. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

28. PLEDGED ASSETS

Details of the Group's bank loans, notes payable and irrevocable letters of credit which are secured by the pledge of the Group's time deposits and note receivables, are included in notes 18, 19, 20, 21 and 23 to the financial statements.

29. COMMITMENTS

Operating lease commitments

Future minimum rentals payable to Tianda Holding under non-cancellable operating leases as at 31 December 2015 and 2014 are as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**209**	183
After one year but not more than five years	**–**	104
	209	287

In addition to the above operating lease commitments, the Group had the following capital commitments at the end of the reporting period:

Capital commitments

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:		
Plant and machinery	**11,310**	2,901

30. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	2015 RMB'000	2014 RMB'000
Sales of oil pipes to the subsidiaries of Vallourec (note i)	**346,646**	645,013
Purchases of services from subsidiaries of Vallourec (note ii)	**3,938**	2,233
Purchases of water from Tianda Holding (note iii)	**577**	429
Purchases of materials from fellow subsidiaries (note iv)	**302**	475
Lease of a dormitory from Tianda Holding (note v)	**96**	96

Notes:

(i) Included in the sales during the year ended 31 December 2015 are approximately RMB253,294,000 (2014: RMB336,418,000), RMB88,239,000 (2014: RMB294,245,000), RMB1,259,000 (2014: RMB2,276,000), RMB3,854,000 (2014: RMB11,864,000) and nil (2014: RMB210,000) derived from VOGC, VOGF, Vallourec DEUTSCHLAND GmbH, VME and VAM Changzhou Oil & Gas Premium Equipment Co., Ltd., respectively. The sales were conducted based on mutually agreed terms with reference to market prices, after deducting the agreed commission fees.

(ii) These transactions were carried out based on the agreements between the Group and the subsidiaries of Vallourec.

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

(iv) These transactions 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.

(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 2015.

(b) Outstanding balances with related parties:

Details of the Group's trade receivable balances with VOGC, VOGF and VME at the end of the reporting period are disclosed in note 18 to the financial statements.

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel of the Group:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	**3,129**	3,513
Retirement benefit contributions	**78**	79
	3,207	3,592

Further details of directors' emoluments are included in note 9 to the financial statements.

All the above related party transactions also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of the reporting period are as follows:

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables		
Cash and cash equivalents	**827,763**	474,910
Bank interest receivables	**113**	142
Trade and notes receivables	**365,258**	559,404
Pledged deposits	**62,018**	31,671
Other financial assets included in prepayments, deposits and other receivables	**1,084**	1,042
	1,256,236	1,067,169

31. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	2015 RMB'000	2014 RMB'000
Financial liabilities		
Financial liabilities at amortised cost		
Trade and notes payables	**421,432**	306,809
Interest-bearing loans and borrowings:		
– Fixed rate borrowings	**219,067**	186,205
Other financial liabilities included in other payables and accruals	**83,060**	97,002
Dividend payable	**120,915**	–
Financial liabilities at fair value through profit or loss		
Derivative financial instruments	**–**	2,177
	844,474	592,193

32. TRANSFERS OF FINANCIAL ASSETS

Financial assets that are derecognised in their entirety

At 31 December 2015, the Group endorsed certain bills (notes) receivable accepted by banks in the PRC (the "Derecognised Bills"), to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of RMB159,052,000 (2014: RMB1,641,226,000) (the "Endorsement"). The Derecognised Bills have maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Interest-bearing loans and borrowings				
– Fixed rate borrowings	**219,067**	186,205	**220,889**	186,559
Derivative financial instruments	**–**	2,177	**–**	2,177
	219,067	188,382	**220,889**	188,736

Management has assessed that the fair values of cash and cash equivalents, bank interest receivables, trade and notes receivables, pledged deposits, trade and notes payables, dividend payable, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of held-to-maturity investments and fixed rate borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, primarily foreign exchange forward contracts, are measured using valuation techniques similar to the forward pricing model, using present value calculations. The model incorporates various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of forward currency contracts are the same as their fair values. As at 31 December 2015, the Group did not have unsettled foreign exchange forward contracts.

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities measured at fair value:

As at 31 December 2015

The Group did not have any financial liabilities measured at fair value as at 31 December 2015.

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	–	2,177	–	2,177

Liabilities for which fair value is disclosed:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Interest-bearing bank borrowings	**–**	**220,889**	**–**	**220,889**

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	186,559	–	186,559

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing loans and borrowings, as well as cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables as well as trade and notes payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally foreign exchange forward contracts. The purpose is to manage foreign currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Foreign currency risk

Currently, the PRC government imposes control over foreign currencies. The RMB, the official currency in Mainland China, is not freely convertible. Enterprises operating in Mainland China can enter into exchange transactions through the People's Bank of China or other authorised financial institutions. Payments for imported materials or services and remittance of earnings outside of Mainland China are subject to the availability of foreign currencies which depends on the foreign currency denominated earnings of the enterprises, or must be arranged through the People's Bank of China or other authorised financial institutions. Approval for exchanges at the People's Bank of China or other authorised financial institutions is granted to enterprises in Mainland China for valid reasons such as purchases of imported materials and remittance of earnings. While conversion of RMB to Hong Kong dollars or other foreign currencies can generally be effected at the People's Bank of China or other authorised financial institutions, there is no guarantee that it can be effected at all times.

The Group does not have any significant investment outside of Mainland China. However, the Group has transaction currency exposures. These exposures arise from sales in currencies other than the Group's functional currency. Approximately 36% of the Group's sales for the year ended 31 December 2015 (2014: 35%) were denominated in currencies other than the functional currency of the operating entities making the sales. Upon receipt of currencies other than the functional currency, the Group sells them to the banks immediately.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

The following table demonstrates the sensitivity as at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in rate %	Increase/ (decrease) in profit before tax RMB'000
US$		
2015	**5%**	**2,982**
	(5%)	**(2,982)**
2014	5%	4,285
	(5%)	(4,285)
EUR		
2015	**5%**	**266**
	(5%)	**(266)**
2014	5%	(164)
	(5%)	164
HK$		
2015	**5%**	**(3,847)**
	(5%)	**3,847**
2014	5%	4
	(5%)	(4)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that customers are required to make payment in advance before the Company delivers goods to them, except for overseas customers and certain domestic major customers, to whom credit terms of 1 to 45 days extending up to 100 days for certain strategic customers are granted with the shortfall between advances received and invoiced amounts, subject to the credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, and therefore, the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. There is no significant concentration of credit risk with the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank accepted drafts and bank loans.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2015					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest-bearing loans and borrowings	–	42,227	182,458	–	–	224,685
Trade and notes payables	56,713	274,207	90,459	53	–	421,432
Dividend payable	–	120,915	–	–	–	120,915
Other financial liabilities included in other payables and accruals	83,060	–	–	–	–	83,060
	139,773	437,349	272,917	53	–	850,092

	2014					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest-bearing loans and borrowings	–	187,420	–	–	–	187,420
Derivative financial instruments	–	923	1,254	–	–	2,177
Trade and notes payables	122,780	49,154	134,875	–	–	306,809
Other financial liabilities included in other payables and accruals	97,002	–	–	–	–	97,002
	219,782	237,497	136,129	–	–	593,408

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The net debt includes interest-bearing loans and borrowings, trade and notes payables, other payables and accruals, less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2015 RMB'000	2014 RMB'000
Interest-bearing loans and borrowings	**219,067**	186,205
Trade and notes payables	**421,432**	306,809
Other payables and accruals	**171,950**	204,498
Less: Cash and cash equivalents	**(827,763)**	(474,910)
Net debt	**(15,314)**	222,602
Equity	**1,924,733**	2,225,918
Capital and net debt	**1,909,419**	2,448,520
Gearing ratio	**Not applicable**	9%

35. EVENT AFTER THE REPORTING PERIOD

On 29 January 2016, Anhui Tianda Enterprise Group Co., Ltd. and Anhui Tianda Investment Co., Ltd. (collectively as the "Vendors") entered into the Sale and Purchase Agreement with Vallourec (as the "Offeror"), pursuant to which the Offeror has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the 510,000,000 domestic shares of the Company held by the Vendors (the "Sale Shares") for total consideration of HK$846,600,000, equivalent to HK$1.66 per Sale Share.

Completion of the Sale and Purchase Agreement upon the fulfilment of the relevant conditions, the Offeror will be required to make an unconditional mandatory cash offer (the "General Offer") for all the issued H shares (other than those H shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it at the time when the General Offer is made) at no less than HK$1.66 per share, in accordance with the Hong Kong Code on Takeovers and Mergers.

Such General Offer is subject to the completion of the Sale and Purchase Agreement. Upon completion of the General Offer, the Offeror proposes to delist the Company from the Stock Exchange of Hong Kong Limited. Such delist resolution is subject to the approval of independent shareholders at the general meeting to be convened by the Company.

36. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**1,039,664**	1,156,880
Prepaid land lease payments	**24,706**	25,358
Deferred tax assets	**11,160**	5,094
Investment in subsidiaries	**–**	–
Total non-current assets	**1,075,530**	1,187,332
CURRENT ASSETS		
Inventories	**463,143**	547,714
Trade and notes receivables	**365,258**	559,404
Prepayments, deposits and other receivables	**121,421**	170,113
Tax recoverable	**4,982**	–
Cash and cash equivalents	**827,763**	474,910
Total current assets	**1,782,567**	1,752,141
CURRENT LIABILITIES		
Interest-bearing loans and borrowings	**219,067**	186,205
Derivative financial instruments	**–**	2,177
Trade and notes payables	**421,432**	306,809
Tax payable	**–**	13,866
Dividend payable	**120,915**	–
Other payables and accruals	**171,950**	204,498
Total current liabilities	**933,364**	713,555
NET CURRENT ASSETS	**849,203**	1,038,586
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,924,733**	2,225,918
NET ASSETS	**1,924,733**	2,225,918
EQUITY		
Issued capital	**503,813**	503,813
Reserves	**1,420,920**	1,722,105
TOTAL EQUITY	**1,924,733**	2,225,918

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2014	1,002,166	109,218	714,162	1,825,546
Total comprehensive income for the year	–	–	57,779	57,779
Appropriation of statutory surplus reserve	–	5,778	(5,778)	–
Final 2013 dividend declared	–	–	(161,220)	(161,220)
At 31 December 2014 and 1 January 2015	1,002,166	114,996	604,943	1,722,105
Total comprehensive income for the year	–	–	(19,050)	(19,050)
Final 2014 dividend declared	–	–	(161,220)	(161,220)
Interim 2015 dividend	–	–	(120,915)	(120,915)
At 31 December 2015	1,002,166	114,996	303,758	1,420,920

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 31 March 2016.