Anhui Tianda Oil Pipe Company Limited
安徽天大石油管材股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 839

PRELIMINARY INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL SUMMARY:

• For the six months ended 30 June 2016, the Group achieved a total production of about 266,440 tonnes, representing a decrease of approximately 15.5% as compared to the total production of about 315,380 tonnes for the corresponding period of 2015 and achieved total sales of about 243,370 tonnes, representing a decrease of approximately 18.2% as compared to the total sales of about 297,400 tonnes for the corresponding period of 2015.

• For the six months ended 30 June 2016, the Group recorded total revenue of approximately RMB766,402,000 representing a decrease of approximately 29.4% as compared to the total revenue of approximately RMB1,085,988,000 for the corresponding period of 2015.

• For the six months ended 30 June 2016, the loss for the period was approximately RMB69,351,000 representing a decrease of approximately 574.1% as compared to that of approximately RMB14,629,000 profit for the corresponding period of 2015.

• For the six months ended 30 June 2016, loss per share amounted to approximately RMB0.0688, whereas the earnings per share amounted to approximately RMB0.0145 for the corresponding period of 2015.

• The Board does not propose an interim dividend for 2016.

• The special dividend in connection to the Sale and Purchase Agreement 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 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.

Consolidated statement of comprehensive income

The board of directors (the "**Board**") of Anhui Tianda Oil Pipe Company Limited (the "**Company**") is pleased to present unaudited interim results of the Company and its subsidiary (the "**Group**") for the six months ended 30 June 2016 together with comparative figures for 2015.

		For the six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
REVENUE	2	766,402	1,085,988
Cost of sales		(746,080)	(1,018,794)
Gross profit		20,322	67,194
Other income and gains	3	12,741	30,097
Selling and distribution expenses		(53,150)	(55,748)
Administrative expenses		(13,537)	(19,197)
Other expenses		(22,931)	(927)
Finance costs		(1,636)	(1,914)
PROFIT/(LOSS) BEFORE TAX	4	(58,191)	19,505
Income tax expense	5	(11,160)	(4,876)
PROFIT/(LOSS) FOR THE PERIOD		(69,351)	14,629
Profit/(Loss) attributable to:			
Owners of the parent		(69,351)	14,629
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT		(69,351)	14,629
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic – earnings/(loss) for the period (RMB cents)	7	(6.88)	1.45

Details of the proposed dividends for the period are disclosed in note 6 to the financial statements.

Consolidated statement of financial position

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		976,592	1,039,664
Prepaid land lease payments		24,379	24,706
Deferred tax assets		-	11,160
Total non-current assets		1,000,971	1,075,530
CURRENT ASSETS			
Inventories		526,154	463,143
Trade and notes receivables	8	387,672	365,258
Prepayments, deposits and other receivables	9	232,137	121,421
Tax recoverable		4,982	4,982
Cash and cash equivalents		519,921	827,763
Total current assets		1,670,866	1,782,567
CURRENT LIABILITIES			
Interest-bearing loans and borrowings		62,000	219,067
Trade and notes payables	10	539,674	421,432
Dividend payable	6	-	120,915
Other payables and accruals	11	214,781	171,950
Total current liabilities		816,455	933,364
NET CURRENT ASSETS		854,411	849,203
TOTAL ASSETS LESS CURRENT LIABILITIES		1,855,382	1,924,733
NET ASSETS		1,855,382	1,924,733
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Issued capital		503,813	503,813
Reserves		1,351,569	1,420,920
TOTAL EQUITY		1,855,382	1,924,733

Consolidated statement of changes in equity
For six months ended 30 June 2016

	Attributable to owners of the parent						
	Issued capital RMB'000	Share premium RMB'000	Available-for-sales investment revaluation reserve RMB'000	Statutory Surplus Reserve RMB'000	Retained profits RMB'000	Proposed Dividend RMB'000	Total RMB'000
1 January 2016	503,813	1,002,166	-	114,996	303,758	-	1,924,733
Total comprehensive income for the period	–	–	--	–	(69,351)	–	(69,351)
30 June 2016 (unaudited)	503,813	1,002,166	-	114,996	234,407	-	1,855,382
1 January 2015	503,813	1,002,166	-	114,996	443,723	161,220	2,225,918
Total comprehensive income for the period	–	–	–	–	14,629	–	14,629
2015 interim dividend proposed (note 6)	-	-	-	-	(120,915)	120,915	-
2014 final dividend declared (note 6)	-	-	-	-	-	(161,220)	(161,220)
30 June 2015 (unaudited)	503,813	1,002,166	-	114,996	337,437	120,915	2,079,327

Condensed consolidated statement of cash flows

	For the six months ended 30 June	
	2016	**2015**
	(Unaudited)	**(Unaudited)**
	RMB'000	**RMB'000**
Net cash flows from operating activities	(19,132)	364,517
Net cash flows used in investing activities	(8,930)	(15,810)
Net cash flows used in financing activities	(279,780)	(23,620)
Net increase/ (decrease) in cash and cash equivalents	(307,842)	325,087
Cash and cash equivalents at beginning of period	827,763	474,910
Cash and cash equivalents at end of period	519,921	799,997

1. **Basis of preparation**

These unaudited condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

The unaudited interim condensed consolidated financial statements do not included all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

Impact of new and revised International Financial Reporting Standards

The accounting policies adopted in preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except for the adoption of the new and revised standards and interpretation as of 1 January 2016, noted below:

IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*
Amendments to IFRS 10 IFRS 12 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

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

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

Issued but not yet effective International Financial Reporting Standards

IFRS 9	*Financial Instruments* [2]
IFRS 15	*Revenue from contracts with customers* [2]
Amendments to IFRS 15	*Revenue from contracts with customers* [2]
IFRS 16	*Leases* [3]
Amendments to IAS 12	Recognition of Deferred tax assets for Unrealised losses[1]
Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IFRS 2	Share-based payment: Classification and Measurement [2]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019

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

2. Revenue

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

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sale of goods	766,477	1,086,426
Less: Government surcharges	(75)	(438)
Revenue	766,402	1,085,988

3. Other revenue and income

	For the six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Investment income from bank financial products	9,447	19,068
Investment income from foreign exchange forward contracts not qualifying as hedges	-	2,195
Bank interest income	795	1,646
Foreign exchange gain, net	1,555	2,716
Refund of land use tax from government and others	944	4,472
	12,741	30,097

4. Profit/(Loss) before tax

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

	For six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Cost of inventories sold	746,080	1,018,794
Depreciation	75,808	73,215
Amortisation of prepaid land lease payments	326	326
Reversal of inventories to net realisable value	(4,673)	-
Provision for loss orders	22,408	-
Research costs	-	-
Auditors' remuneration	-	-
Staff costs (including directors', chief executive's and supervisors' remuneration):		
- Salaries and other staff costs	34,538	46,184
- Retirement benefit contributions	6,415	7,499

5. Income tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the six months ended 30 June 2016 (Six months ended 30 June 2015: 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 six months ended 30 June 2016 and 2015 are as follows:

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current		
Charge for the year	-	4,332
Deferred:		
Relating to origination and reversal of temporary differences	11,160	544
Total tax charge for the year	11,160	4,876

6. Dividends

The board of directors does not propose an interim dividend for the six months ended 30 June 2016 (Six months ended 30 June 2015: interim special dividend of RMB120,915,000).

Pursuant to the resolution passed in the annual general meeting held on 10 December 2015, the Group's shareholders approved the interim dividend for the half year ended 30 June 2015 amounting to RMB120,915,000 (RMB0.12 per share) payable to the then shareholders. Such dividends were paid on 11 January 2016 in accordance with the announcement.

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of shares (including Domestic Shares and H Shares) of 1,007,626,000 in issue during the six months ended 30 June 2016 (Six months ended 30 June 2015: 1,007,626,000).

8. Trade and notes receivables

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Notes receivable from domestic third parties	76,625	84,713
Trade receivables from overseas customers	172,055	74,905
Trade receivables from domestic customers	138,992	205,640
Impairment	-	-
	387,672	365,258

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

Customers are usually required to make payment in advance before the Group delivers goods to them. However, the Group's trading terms with its overseas customers and certain major domestic customers are on credit. The credit period is generally 1 to 45 days extending up to 270 days for certain strategic customers. The Group enters into sales with overseas customers through irrevocable letters of credit. Each domestic customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are unsecured and interest-free.

Included in the Group's trade receivables were amounts due from VMOG China ("VOGC") and Vallourec Middle East FZE ("VME") of approximately RMB64,637,000 (31 December 2015: approximately RMB66,432,000) and approximately RMB86,558,000 (31 December 2015: Nil), respectively, which were payable on a credit term of 45 days.

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Outstanding balances with ages:		
Within one year	311,047	280,492
Between one and two years	-	53
	311,047	280,545

As at 30 June 2016, the Group had pledged notes receivable of approximately RMB29,729,000 (31 December 2015: RMB55,494,000) for issuing the bank accepted bills of exchange.

As at 30 June 2016, the Group did not have any pledged trade receivables. (As at 31 December 2015, the Group had RMB219,067,000 pledged trade receivable for bank loan).

9. Prepayments, deposits and other receivables

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Prepayments	98,948	27,916
Deposits and other receivables	132,954	93,392
Bank interest receivables	235	113
	232,137	121,421

The Group did not write off irrecoverable prepayments and other receivables during the period ended 30 June 2016 (31 December 2015: Nil).

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

Included in the Group's and the Company's deposits and other receivables were (i) time deposits of RMB114,265,000 pledged to the banks to secure the bank accepted drafts and letter of credit (31 December 2015: RMB62,018,000); and (ii) the net input value-added tax ("VAT") of RMB15,159,000 (31 December 2015: RMB29,762,000) arising from the purchase of items of property, plant and equipment and materials after deducting the output VAT for domestic sales.

10. Trade and notes payables

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Notes payable to third parties	389,152	289,931
Trade payables to third parties	150,522	131,501
	539,674	421,432

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

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

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Outstanding balances with ages:		
Within one year	504,137	404,366
Between one and two years	22,182	11,382
Between two and three years	8,724	3,508
Over three years	4,631	2,176
	539,674	421,432

11. Other payables and accruals

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Advances from customers	39,274	39,086
Payroll payables	34,034	41,013
Other payables	141,473	91,851
	214,781	171,950

As at 30 June 2016, Other payables includes RMB 22,408,000 of order-loss provision (31 December 2015: none).

As at 30 June 2016, the service fee payable to VOGC amounted to RMB575,000 and the payable to VOGC in relation to the third parties' inspection fee paid by VOGC on behalf of the Group amounted to RMB717,000 (31 December 2015: no service fee and third parties' inspection fee were payable to VOGC).

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

12. Related party transactions

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

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Sales of oil pipes to VOGC and fellow subsidiaries (note i)	161,149	209,213
Purchases of services from VOGC (note ii)	575	464
Third parties' inspection fee paid by VOGC on behalf of the Company (note ii)	717	667
Purchases of water from Tianda Holding (note iv)	282	236
Purchases of materials from fellow subsidiaries (note iii)	87	128
Lease of a dormitory from Tianda Holding (note v)	71	48

Notes:

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

(ii) The Group's payable to VOGC in relation to service fee and third party inspection fee paid by VOGC on behalf of the Group were determined based on the mutual agreement.

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

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

(v) Pursuant to the dormitory lease agreement entered into with Tianda Holding, the Group paid an annual rent of RMB141,000 for the years from 1 January 2016 to 31 December 2017.

The Group's trade receivables due from VOGC and fellow subsidiaries and the Group's trade payables due to VOGC, Tianda Holding and its subsidiaries as at 30 June 2016 had been disclosed in note 8 and 11, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded unaudited total revenue of approximately RMB766,402,000 for the six months ended 30 June 2016 (Six months ended 30 June 2015: approximately RMB1,085,988,000), representing a decrease of approximately RMB319,586,000 or approximately 29.4% when compared the revenue for the corresponding period of 2015. The decrease in revenue was mainly attributable to the decrease in sales volume and average selling price of products by approximately 18.2% and 13.8%, respectively, as compared to the corresponding period of 2015 as a result of persistent deterioration of market environment with the imbalance of demand and supply, decrease in demand and fiercer competition.

During the six months ended 30 June 2016, the Group recorded a gross profit of approximately RMB20,322,000, representing a decrease of approximately RMB46,872,000 or approximately 69.8% when compared to the gross profit of approximately RMB67,194,000 for the corresponding period of 2015, and a gross profit margin of approximately 2.7% when compared to the gross profit margin of approximately 6.2% for the corresponding period of 2015. The decrease in gross profit and gross profit margin was mainly due to the fact that under the circumstances where the macro-economy is gloomy, the demand in the specialized pipe industry was weak and the competition is fierce, the decrease in market selling price to a greater extent than the decrease in raw materials cost, the Group actively adjusted the product mix structure and customer bases structure in order to cope with changes in market demand and get rid of operating risks.

For the six months ended 30 June 2016, the selling and distribution expenses of the Group was about RMB53,150,000, representing a decrease of approximately RMB2,598,000 or approximately 4.7% when compared to approximately RMB55,748,000 for the corresponding period of 2015. The decrease was mainly due to the decrease in the Group's total sales volume.

For the six month ended 30 June 2016, the Group's administrative expenses was approximately RMB13,537,000, representing a decrease of approximately RMB5,660,000 or approximately 29.5% when compared to approximately RMB19,197,000 for the corresponding period of 2015. The decrease was mainly due to the fact that the Group reversed approximately RMB4,673,000 of inventory provision for increase in product price as well as continuously adopted measures to strengthen the controls over each cost items.

For the six months ended 30 June 2016, the Other expenses of the Group was about RMB22,931,000 (six months ended 30 June 2015: RMB927,000), representing an increase of approximately RMB22,004,000. The increase was mainly due to the loss order provision for the increase in raw material price.

The net finance cost of the Group for the six months ended 30 June 2016 amounted to approximately RMB1,636,000 (six months ended 30 June 2015: net finance costs of approximately RMB1,914,000), representing an decrease of approximately RMB278,000 or approximately 14.5% when compared to the corresponding period of 2015. The decrease was mainly due to the decrease in bank borrowings leading to decreased interest expenses during the period.

The Group's net loss for the six months ended 30 June 2016 was approximately RMB69,351,000 (Six months ended 30 June 2015: profit of approximately RMB14,629,000) which was decreased by RMB83,980,000 or 574.1% compared to the corresponding period of 2015. The Group's net loss was mainly due to the decrease in sales volume and the decrease in gross profit for the period when compared to the corresponding period of 2015.

The Group's inventories as at 30 June 2016 were approximately RMB526,154,000, representing an increase of approximately RMB63,011,000 as compared to the inventories as at 31 December 2015 of approximately RMB463,143,000. During the period under review, the raw materials accounted for approximately 37.2% of total inventories, the finished goods and semi-finished goods (including unprocessed pipes) accounted for approximately 62.7% and the remaining inventories items were accessories and work-in-progress. Compared to the inventories at beginning of the period under review, the increase in inventories was mainly due to the increase in finished goods resulting from certain orders of products with relatively long production cycle or certain finished goods not yet delivered pending to customers' settlement prior to delivery or the customers' change in vessel freight schedules. The Company seriously keeps the inventories level of raw materials and finished goods and the inventories mix within a reasonable level.

The Group’s trade receivables and bills receivable as at 30 June 2016 were approximately RMB387,672,000, representing an increase of approximately RMB22,414,000 as compared to its trade receivables as at 31 December 2015 of approximately RMB365,258,000. Such increase was mainly due to increase in export sale volume which allows longer credit period. The Group’s stringent internal management mechanism, appraisal policies and the supply chain management led to maintain the Group’s financial risks at a healthy level.

The Group’s net assets as at 30 June 2016 were approximately RMB 1,855,382,000 (31 December 2015: approximately RMB 1,924,733,000). The net assets per share as at 30 June 2016 were approximately RMB1.84 (31 December 2015: approximately RMB1.91).

BUSINESS REVIEW

In the first half of 2016, the global economic recovery was still not stable, the China's economic growth slowed down and continued to face downside risks, the industry has over-capacity. In the unfavorable situation, the Group strengthened market development, cost reduction and risk control, adopted business strategy for development and promotion of new products, optimized products mix and customer base structure so as to solid foundation for development and to ensure the company sustained and healthy development.

The Group’s products are mainly oil well pipes, as well as pipes of various classes and specifications for oil and gas transmission, boilers, vessels, automobile axles which are applicable to industries like energy, chemical, mechanical manufacturing etc. During the six months ended 30 June 2016, the Group’s realized total production volume was about 266,440 tonnes, representing a decrease of approximately 15.5% as compared to the corresponding period last year. The decrease was mainly due to the fact that as the Group enhanced the adjustment on the product mix and customer bases structure for eliminating market risks.

During the period under review, in the domestic market, the Group continued to consolidate the relationships with the China's four major oil companies as well as the strategic partnerships with large-scaled boiler, shipbuilding factories. Meanwhile, the Group had successfully obtained the orders from China National Petroleum Corporation (CNPC) and China National Offshore Oil Corporation (CNOOC) with assistance of Vallourec, and further consolidate and improve the Company’s recognition and positon in the industry.

During the year under review, in the overseas market, the Group has overcome the adverse factors including the persistent weak global economy. 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 construction projects. For the six months ended 30 June 2016, the Group’s export sales volume accounted for 41.9% of the Group’s total sales volume, representing an increase of 9.4 percentage point as compared to the corresponding period of 2015.

The Group closely monitors changes in customer demand, enhanced technology marketing services, constantly develops new products to meet market demand and strengthens on new products’ research and development and technological upgrade on production facilities. Through detailed studies for the environment and technology for the exploitation of shale gas, the Group 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, the Group successfully developed new products such as Q125HC high collapse-resistant shale gas exploitation pipe, and 09Mn2VD line pipes for -70℃ low temperature environment, CFS320 boiler pipes, and STKM13 structure pipes.

LIQUIDITY AND FINANCIAL RESOURCES

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.

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

As at 30 June 2016, the Group's cash and cash equivalents amounted to approximately RMB 519,921,000 (31 December 2015: approximately RMB 827,763,000), representing a decrease of RMB307,842,000. The cashflow generated from operating activities was decreased by approximately RMB383,649,000 which was mainly attributable to the loss incurred by the Group during the period and increase in accounts receivable and inventory of finished goods due to the growth of export sales. The cashflow used in investing activities was decreased by approximately RMB6,880,000 due to decrease in investment in bank's financial products in view of the increasing market risk in investment and decreasing rate of return. The cashflow used in financing activities was increased as the Group paid interim special dividend for 2015 of approximately RMB120,915,000 and repaid the bank loans of approximately RMB157,067,000.

As at 30 June 2016, all of the Group's interest-bearing bank loans amounting to approximately RMB62,000,000 and the borrowing rate was.3.92% per annum (31 December 2015: total loans of approximately RMB219,067,000 comprising a loan denominated in HK dollars, a loan denominated in RMB and 3 loans denominated in US$). The borrowing rates ranged from 0.95% to 4.14% per annum). The decrease in bank loan was mainly due to repayment of matured loans.

As at 30 June 2016, the Group's debt to asset ratio was approximately 2.3% (31 December 2015: approximately 7.7%), which was interest-bearing loans and borrowings divided by total assets and presented in terms of percentage.

CHARGES ON ASSETS

Save as those disclosed in notes 8 and 9, as at 30 June 2016, the Group did not have any other property, plant and equipment and bank deposits pledged for securing banking facilities.

INTERIM DIVIDEND

The Board does not propose the interim dividends for the six month ended 30 June 2016.

SPECIAL DIVIDEND IN RELATION TO SALE AND PURCHASE AGREEMENT

On 29 January 2016, Anhui Tianda Enterprise Group Co., Ltd. and Anhui Tianda Investment Co., Ltd. (together as the “Vendors”), which held 510,000,000 domestic shares (the “Sale Shares”) of the Company, entered into a 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 Sale Shares for cash consideration of HK$846,600,000, equivalent to HK$1.66 per Sale Share.

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. 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 shareholders’ approval in the general meeting to be held later this year. As at 31 December 2015, the maximum amount of distributable and undistributed retained profits of the Company is approximately RMB 303,758,000.

The Board has not yet passed any resolution on the special dividend. According to the rules for listed company, the Board has to issue the announcement immediately when any resolution on the special dividend is passed.

SIGNIFICANT INVESTMENTS

As at 31 March 2016, the Group's board of directors approved a technological upgrade of magnetic leakage & flaw detection equipment in the thermal treatment plant of Chuzhou company, and additional investment in an imported GE ultra-sonic flaw detection equipment in Tongcheng Plant (portion of such investment were included in the 11 million technological upgrade investment approved on 23 March 2014). Two testing equipment investments are budgeted RMB 10 million approximately.

The investment project in relation to Chuzhou staff dormitory is still in the surveying process.

MAJOR ACQUISITION AND DISPOSAL

The Group did not make any major acquisition or disposal during the six months ended 30 June 2016.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE RISK

Generally, when the Group sells its products to overseas customers, it is dealing in United States dollars or Euro. The Group's books are prepared in RMB whereas the receivables from overseas customers may be subject to foreign currency fluctuations. In general, the Group will sell the non-functional currencies to the banks upon receipts.

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

All cash and cash equivalents of the Group are denominated in RMB, Hong Kong dollar and United States dollar and bank deposits are placed with banks in the PRC and, to a smaller extent, with Chinese banks in Hong Kong to fund the Group's expenses in Hong Kong. Remittance of funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

PRODUCT INFORMATION

1. Self-produced specialized pipes

For the six months ended 30 June 2016, the sales volume of the Group's self-produced specialized pipes was approximately 239,833 tonnes (Six month ended 30 June 2015: approximately 295,780 tonnes), representing a decrease of approximately 18.9% when compared to the corresponding period of 2015.

2. Sourcing and distribution of specialized pipes

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

For the six months ended 30 June 2016, the sales volume of the Group's sourcing and distribution of specialized pipes was approximately 3,538 tonnes (six months ended 30 June 2015: approximately 1,620 tonnes). When compared to the corresponding period of 2015, the sales volume of the sourcing and distribution of specialized pipes was increased by approximately 118.4%. Despite the continuous changes in the industry and market, the Group continues to keep the business model for procurement and distribution of specialized pipes. However, the Group may commenced research and development over the products specification that the customers demand but the Group has not produced, when appropriate, for purposes of self-production.

HUMAN RESOURCES

The Board believes that the quality of its employees is one of the most important factors for its development and growth and the enhancement of its profitability. As at 30 June 2016, the Company had 1,514 employees (as at 31 December 2015: 1,585 employees). The average number of employees for six months ended 30 June 2016 was 1,542 (Six months ended 30 June 2015: average 1,707 employee).

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

EVENTS AFTER BALANCE SHEET DATE

From the balance sheet date 30 June 2016 to the date of this announcement, the Group did not have any significant events.

FUTURE PROSPECT

Currently, the global economy is still in a period of adjustment and the momentum of recovery is weak. The China's economy is facing a downward pressure and its 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. Despite various challenges to be encountered in short-run, the structure of the Steel Industry itself will be optimized in long-run when the issues of excess capacity are resolved and it will bring unprecedented opportunities to the Steel Industry. We keep alert of challenges with belief of success and firmly grasp development opportunities.

Being the backbone enterprise of OCTG industry in China, the Group improve the reputation and image in the industry and increase the brand influence through the successful ongoing co-operation with Vallourec, the leading multinational companies in the global OCTG industry. With the twenty years' experiences in management and technology which enable to have rapid response to market needs and the ability to provide all-round service solutions, the Group obtained the market-entry qualification of the oil companies led by certain international well-known oil company. The Group will continue to emphasize quality development, adjust its product mix structure and customer bases structure, improve the operating efficiency, develop strategies for improving profitability, and strengthen the service philosophy. The Group will actively carry out research and development to meet future market demand for high-end products, continue to take the strategies for development of high-end products and international market for promoting continued growth in overseas markets.

DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS

For the six months ended 30 June 2016, the directors are not aware of any business or interest of the directors, the supervisors and management shareholders of the Group and their respective associates (as defined under the Listing Rules) that compete or may compete (directly or indirectly) with the business of the Group and any other conflicts of interests which any such person has or may have with the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Nether the Company nor any of its subsidiaries purchased, sales or redeemed any of the Company' listed securities during the six months ended 30 June 2016.

CORPORATE GOVERNANCE REPORT

During the period under review, the Group has complied with the relevant regulations in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for the deviation from the code provision A.1.8. of the Code. The Board and the senior management of the Group have earnestly appraised the requirements of the Code and reviewed the practices of the Group to ensure full compliance with the Code.

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the rules set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules as the code for dealing in securities of the Group by the Directors (the "**Code**"). All directors have complied with the required standard as set out in the Code during the period under review.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the unaudited financial statements for the six months ended 30 June 2016. The Audit Committee currently comprises two independent non-executive directors, Mr. Zhao Bin and Mr. Wang Jie and one non-executive director Mr. Liu Peng. Mr. Zhao Bin is the chairman of the Audit Committee.

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

Anhui China, 29 July 2016

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