THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, about this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **ANHUI TIANDA OIL PIPE COMPANY LIMITED**, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance and Transfer to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for onward transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance and Transfer, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form(s) of Acceptance and Transfer.

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance and Transfer, the contents of which form part of the terms and conditions of the Offer.

vallourec

(incorporated in France with limited liability)

Stock Code: VK

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

COMPOSITE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY ANGLO CHINESE CORPORATE FINANCE, LIMITED ON BEHALF OF VALLOUREC TUBES SAS FOR ALL THE ISSUED H SHARES IN ANHUI TIANDA OIL PIPE COMPANY LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY VALLOUREC TUBES SAS AND PARTIES ACTING IN CONCERT WITH IT)

Financial Adviser to Vallourec Tubes SAS

ANGLO CHINESE 英高
CORPORATE FINANCE, LIMITED

Independent Financial Adviser to the Independent Board Committee of Anhui Tianda Oil Pipe Company Limited

Gram Capital Limited
嘉林資本有限公司

Capitalised terms used on this cover page shall have the same meanings as those defined in this Composite Document.

A letter from Anglo Chinese containing, among other things, principal terms of the Offer is set out on pages 7 to 17 of this Composite Document. A letter from the Board is set out on pages 18 to 25 of this Composite Document.

A letter from the Independent Board Committee to the Offer Shareholders containing its recommendation in respect of the Offer is set out on pages 26 and 27 of this Composite Document. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee in respect of the Offer and the principal factors considered by it in arriving at its recommendation is set out on pages 28 to 43 of this Composite Document.

The procedures for acceptance and other related information in respect of the Offer are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance and Transfer. Form(s) of Acceptance and Transfer should be received by the Registrar as soon as possible and in any event not later than 4:00 p.m. on Friday, 2 December 2016 (or such later time and/or date as the Offeror may determine and the Offeror may announce in accordance with the Takeovers Code).

4 November 2016

CONTENT

		Page
EXPECTED TIMETABLE		ii
DEFINITIONS		1
LETTER FROM ANGLO CHINESE		7
LETTER FROM THE BOARD		18
LETTER FROM THE INDEPENDENT BOARD COMMITTEE		26
LETTER FROM GRAM CAPITAL		28
APPENDIX I –	FURTHER TERMS OF ACCEPTANCE OF THE OFFER	I-1
APPENDIX II –	FINANCIAL INFORMATION OF THE TARGET GROUP	II-1
APPENDIX III –	REPORT FROM ASCENDA CACHET ON PROFIT ESTIMATES	III-1
APPENDIX IV –	REPORT FROM GRAM CAPITAL ON PROFIT ESTIMATES	IV-1
APPENDIX V –	GENERAL INFORMATION	V-1

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Target.

	2016
Despatch date of this Composite Document and the accompanying Form(s) of Acceptance and Transfer and commencement date of the Offer *(Note 1)*	Friday, 4 November 2016
Notification to Offer Shareholders who have not accepted the Offer and announcement that the Offer only remains open for another 14 days *(Note 2)*	Friday, 18 November 2016
Last day of trading in the H Shares on the Stock Exchange *(Note 3)*	Tuesday, 29 November 2016
Latest time and date for acceptance of the Offer *(Note 4 and Note 7)*	4:00 p.m. on Friday, 2 December 2016
Closing Date *(Note 4 and Note 7)*	Friday, 2 December 2016
Announcement of the results of the Offer (or its extension or revision, if any), to be posted on the website of the Stock Exchange *(Note 4)*	Before 7:00 p.m. on Friday, 2 December 2016
Withdrawal of the listing of the H Shares from the Stock Exchange *(Note 5)*	4:00 p.m. on Friday, 9 December 2016
Latest date for posting of remittances in respect of valid acceptances received under the Offer *(Note 6 and Note 7)*	Tuesday, 13 December 2016

Notes:

1. The Offer, which is unconditional, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until the Closing Date.

2. 14 days before the Closing Date, Offer Shareholders who have not accepted the Offer will be sent a notification that the Offer only remains open for another 14 days and to remind such Offer Shareholders that once the H Shares are delisted from the Stock Exchange, the liquidity of the H Shares may be severely reduced, the Target will not continue to be subject to the Listing Rules and may not continue to be subject to the Takeovers Code and the rights of Offer Shareholders to certain information of the Target will be reduced accordingly. On the same date, an announcement will be made to notify all Shareholders that the Offer only remains open for another 14 days.

3. The last day of trading in the H Shares on the Stock Exchange shall be the third Business Day prior to the Closing Date. Unless the Offeror revises or extends the Offer in accordance with the Takeovers Code, the third Business Day prior to the Closing Date shall be Tuesday, 29 November 2016. Investors should note that the last day to trade in the H Shares is three Business Days prior to the Closing Date to enable purchaser(s)/transferee(s) who purchase shares on the last trading day to accept the Offer.

4. The latest time and date for acceptance will be at 4:00 p.m. on Friday, 2 December 2016 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Target will jointly issue an announcement through the websites of the Stock Exchange and the Target no later than 7:00 p.m. on Friday, 2 December 2016 stating whether the Offer has been extended, revised or has expired. In the event that the Offeror decides to revise or extend the Offer, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Offer Shareholders who have not accepted the Offer.

5. It is currently expected that the withdrawal of listing of the H Shares from the Stock Exchange would happen at 4:00 p.m. on Friday, 9 December 2016, subject to the satisfaction of any conditions for delisting such securities from the Stock Exchange, and receipt of any regulatory approvals required for such delisting.

6. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Offer will be despatched to the Offer Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days after the date of receipt by the Registrar of all relevant documents (receipt of which renders such acceptance complete and valid), in accordance with the Takeovers Code. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to section 4 headed "Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.

7. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:

   (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day, and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will remain unchanged; or

   (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong, and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will accordingly be rescheduled to the next Business Day.

All references to dates and times contained in this Composite Document refer to Hong Kong dates and times.

In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Shares by the Offeror from the Vendors in accordance with the terms and conditions of the Sale and Purchase Agreement
"Administration for Industry and Commerce"	the local bureau of the State Administration for Industry and Commerce that is competent to register the Sale and Purchase Agreement, the sale of the Sale Shares and the amended articles of association of the Target
"Anglo Chinese"	Anglo Chinese Corporate Finance, Limited, a licensed corporation under the SFO, licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the financial adviser to the Offeror in relation to the Offer
"Ascenda Cachet"	Ascenda Cachet CPA Limited, a member firm of the Hong Kong Institute of Certified Public Accountants, and engaged to report on certain aspects of the Target's statement in section 4 of Appendix II
"Board"	the board of directors of the Target
"Board Changes"	the changes to the Board such that representatives of the Offeror Group are appointed to the Board and an equivalent number of directors of the Target resign (with effect from the same date)
"Business Day"	a business day is a day on which the Stock Exchange is open for the transaction of business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Circular"	the notice of meeting, explanatory materials, proxy form and shareholder reply slip sent to Shareholders for the purposes of convening the General Meeting and the notice of meeting, explanatory materials, proxy form and shareholder reply slip sent to the H Shareholders for the purposes of convening the H Share class meeting, all dated 10 September 2016

"Closing Date"	2 December 2016, the closing date of the Offer, or if the Offer is extended, any subsequent closing date as may be determined by the Offeror and announced by the Offeror in accordance with the Takeovers Code
"Composite Document"	this composite offer and response document in respect of the Offer jointly despatched by the Offeror and the Target in accordance with the Takeovers Code
"Delisting Resolution"	the resolution passed by the Independent Shareholders at the General Meeting and the Independent H Shareholders at the H Share class meeting to approve the delisting of the Target from the Stock Exchange, subject to the Offer Period ending
"Director(s)"	director(s) of the Target, from time to time
"Domestic Shares"	the ordinary shares of RMB0.50 each issued by the Target, which have been acquired by the Offeror pursuant to the Sale and Purchase Agreement
"Effective Transfer Date"	the date a new business licence is issued by the Administration for Industry and Commerce showing the new distribution of shareholding of the Target following the sale of the Sale Shares, which took place on 28 October 2016
"Encumbrances"	(i) any valid mortgage, pledge, charge, lien, rights of pre-emption, guarantee, trust arrangements or any other similar restriction on rights securing, or conferring any priority of payment in respect of, any obligation of any person, (ii) any valid lease, sub-lease, occupancy agreement or covenant granting a right of use or occupancy to any person, (iii) any valid proxy, power of attorney, voting trust agreement, beneficial interest, option, right of first offer or refusal or other transfer restriction in favour of any person and (iv) any adverse, legal and valid claim as to title, possession or use
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
"Form(s) of Acceptance and Transfer"	the form(s) of acceptance and transfer for the Offer Shares in respect of the Offer which accompany this Composite Document

"General Meeting"	the general meeting of the Target held on 7 October 2016 at which (among other business) the Independent Shareholders passed the Delisting Resolution
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"H Share(s)"	overseas listed foreign ordinary share(s) of RMB0.50 each in the share capital of the Target which are listed on the main board of the Stock Exchange and traded in HK$
"H Shareholder(s)"	holder(s) of H Share(s)
"Independent Board Committee"	the independent board committee of the Board, comprising all the independent non-executive Directors, namely, Mr. Zhao Bin, Mr. Wang Bo and Mr. Wang Jie being established for the purpose of advising the Offer Shareholders in respect of the Offer
"Independent Financial Adviser" or "Gram Capital"	Gram Capital Limited, a licensed corporation under the SFO, licensed to conduct Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee in respect of the Offer
"Independent Shareholders"	all Shareholders other than Mr. Ye Shiqu, the Offeror, the Vendors, their respective associates and parties acting in concert with Mr. Ye Shiqu and the Vendors or the Offeror
"Independent H Shareholders"	all H Shareholders other than Mr. Ye Shiqu, the Offeror, the Vendors, their respective associates and parties acting in concert with Mr. Ye Shiqu and the Vendors or the Offeror

"Joint Announcement"	the announcement jointly published by the Offeror and the Target dated 2 February 2016 in relation to, among others, the Sale and Purchase Agreement and the possible Offer pursuant to Rule 3.5 of the Takeovers Code
"Last Trading Day"	29 January 2016, being the last full trading day immediately prior to the suspension of trading in the H Shares pending the release of the Joint Announcement
"Latest Practicable Date"	2 November 2016, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Offer"	the mandatory unconditional cash offer made by Anglo Chinese, on behalf of the Offeror, to acquire all the issued H Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it subject to the conditions set out in this Composite Document and in accordance with the Takeovers Code
"Offer Period"	the period from 2 February 2016, being the date of the Joint Announcement made pursuant to Rule 3.5 of the Takeovers Code to 4:00 p.m. on the Closing Date, or such other time and/or date to which the Offeror may decide to extend or revise the Offer in accordance with the Takeovers Code
"Offer Price"	HK$1.67 per Offer Share, which includes the additional consideration of HK$0.01 per Offer Share payable for the Offer Price as a result of the passing of the Delisting Resolution
"Offer Share(s)"	the 301,626,000 H Share(s) that are subject to the Offer
"Offer Shareholder(s)"	holder(s) of the Offer Share(s)
"Offeror"	Vallourec Tubes SAS, a company incorporated in France, which is a wholly-owned subsidiary of the Offeror Parent

"Offeror Director(s)"	director(s) of the Offeror
"Offeror Group"	the Offeror Parent and its subsidiaries (including the Offeror)
"Offeror Parent"	Vallourec SA, a company incorporated in France whose shares are listed on Euronext Paris
"Offeror Parent Management Members"	the members of the management board of the Offeror Parent
"Overseas Shareholder(s)"	Offer Shareholder(s) whose address(es), as shown on the register of members of the Target, is/ are outside Hong Kong
"PRC"	the People's Republic of China, which for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Record Date"	18 October 2016, being the date for determining the entitlements of the Shareholders to the Special Dividend
"Registrar"	Computershare Hong Kong Investor Services Limited, with its registered address at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"Relevant Period"	the period commencing on 3 August 2015, being the date falling six months before 3 February 2016, being the date the Joint Announcement was issued, up to and including the Latest Practicable Date
"RMB"	Renminbi, the lawful currency in the PRC
"Sale and Purchase Agreement"	the conditional sale and purchase agreement entered into between the Vendors and the Offeror on 29 January 2016 in relation to the Acquisition
"Sale Shares"	510,000,000 Domestic Shares sold by the Vendors and acquired by the Offeror pursuant to the Sale and Purchase Agreement on the Effective Transfer Date, representing approximately 50.61% of the entire issued share capital of the Target as at the Latest Practicable Date

"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the Domestic Shares and the H Shares
"Shareholder(s)"	holder(s) of Share(s)
"Shareholders' Agreement"	the shareholders' agreement dated 15 September 2010 entered into in relation to the Target between the Offeror, Tianda Holding, Tianda Investment, Tiancheng Changyun International Company Limited, Mr. Ye Shiqu and Mr. Zhang Huming
"Special Dividend"	the declaration of dividend in the amount of RMB0.301459 per Domestic Share and HK$0.350139 per H Share (in each case inclusive of tax) to the Shareholders on the Record Date as approved by the Shareholders at the General Meeting held on 7 October 2016
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target"	Anhui Tianda Oil Pipe Co., Ltd. 安徽天大石油管材股份有限公司, a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 839)
"Target Group"	the Target and its subsidiaries
"Tianda Holding"	Anhui Tianda Enterprise Group Co., Ltd
"Tianda Investment"	Anhui Tianda Investment Co., Ltd
"Vendors" and each a "Vendor"	Tianda Holding and Tianda Investment
"%"	per cent

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
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www.anglochinesegroup.com
英高財務顧問有限公司

To the Offer Shareholders

4 November 2016

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY ANGLO CHINESE CORPORATE FINANCE, LIMITED ON BEHALF OF VALLOUREC TUBES SAS FOR ALL THE ISSUED H SHARES IN ANHUI TIANDA OIL PIPE COMPANY LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY VALLOUREC TUBES SAS AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

The Offeror and the Target jointly issued an announcement dated 2 February 2016 which stated that on 29 January 2016 the Offeror had entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Offeror had conditionally agreed to purchase and the Vendors had conditionally agreed to sell the Sale Shares, representing approximately 50.61% of the entire issued share capital of the Target as at the Latest Practicable Date, for a total cash consideration of HK$846,600,000, equivalent to HK$1.66 per Sale Share.

Immediately after the Effective Transfer Date which took place on 28 October 2016 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned 706,000,000 Shares, consisting of 510,000,000 Domestic Shares and 196,000,000 H Shares, collectively representing approximately 70.07% of the entire issued share capital of the Target. Accordingly under Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued H Shares at not less than HK$1.66 per Offer Share, 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 Offer is made. No offer is being made for the Domestic Shares, as with effect from the Effective Transfer Date the Offeror held all Domestic Shares issued by the Target.

The Offeror and the Target jointly issued an announcement dated 4 August 2016 pursuant to which the Offeror amended the proposed terms of the mandatory unconditional cash offer by offering the additional consideration of HK$0.01 per Offer Share conditional on the passing of the Delisting Resolution. As the condition has been met, the Offer Price is now HK$1.67 per Offer Share.

This letter sets out, among other things, principal terms of the Offer, together with the information on the Offeror and the Offeror's intentions regarding the Target Group. Further details of the Offer are also set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance and Transfer. Your attention is also drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" to the Offer Shareholders and the "Letter from Gram Capital" to the Independent Board Committee as contained in this Composite Document.

THE OFFER

Principal terms of the Offer

We are making the Offer for and on behalf of the Offeror, to acquire the Offer Shares on the following basis and in accordance with Rule 26.1 of the Takeovers Code:

For each Offer Share .... HK$1.67 in cash

The Offer Price of HK$1.67 for each Offer Share is equal to the purchase price of HK$1.66 for each Offer Share to be paid for each Sale Share by the Offeror pursuant to the Sale and Purchase Agreement plus the additional consideration of HK$0.01 for each Offer Share which is payable as a result of the passing of the Delisting Resolution.

As at the Latest Practicable Date, the Target had 497,626,000 H Shares in issue. There are no outstanding options, warrants, derivatives or convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Offer Shares or any other conditions.

The Offer Shares to be acquired under the Offer shall be fully paid, free from all Encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, i.e., the date of this Composite Document.

The procedures for acceptance and further details of the Offer are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance and Transfer.

Total Consideration for the Offer Shares

Assuming that there is no change in the issued share capital of the Target from the Latest Practicable Date up to the Closing Date and based on the Offer Price of HK$1.67 per Offer Share and the 1,007,626,000 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Target is valued at approximately HK$1,682,735,420.

The Offer will be made to the Offer Shareholders, who in aggregate held 301,626,000 Offer Shares as at the Latest Practicable Date. In the event that the Offer is accepted in full, the maximum amount payable by the Offeror under the Offer will be approximately HK$503,715,420.

Comparisons of value

Before taking into account any adjustment to the quoted prices for the Special Dividend, the Offer Price of HK$1.67 per Offer Share represents:

(a) a premium of approximately 0.6% over the closing price of HK$1.66 per H Share as quoted on the Stock Exchange on 2 November 2016, being the Latest Practicable Date;

(b) a premium of approximately 59% over the closing price of HK$1.05 per H Share as quoted on the Stock Exchange on 29 January 2016, being the Last Trading Day;

(c) a premium of approximately 59% over the average closing price of the H Shares as quoted on the Stock Exchange for the last 5 consecutive full trading days immediately prior and including the Last Trading Day, being approximately HK$1.05 per H Share;

(d) a premium of approximately 49% over the average closing price of the H Shares as quoted on the Stock Exchange for the last 30 consecutive full trading days immediately prior and including the Last Trading Day, being approximately HK$1.12 per H Share;

(e) a premium of approximately 35% over the average closing price of the H Shares as quoted on the Stock Exchange for the last 60 consecutive full trading days immediately prior and including the Last Trading Day, being approximately HK$1.24 per H Share;

(f) a premium of approximately 28% over the average closing price of the H Shares as quoted on the Stock Exchange for the last 90 consecutive full trading days immediately prior and including the Last Trading Day, being approximately HK$1.30 per H Share;

(g) a premium of approximately 20% over the average closing price of the H Shares as quoted on the Stock Exchange for the last 180 consecutive full trading days immediately prior and including the Last Trading Day, being approximately HK$1.39 per H Share; and

(h) a discount of approximately 23% to the unaudited net asset value per Share as at 30 June 2016 (Note: Based on the 2016 interim results of the Target and calculated at the RMB/HK$ exchange rate of 1.711 as at 2 August 2016).

On 17 August 2016, the Board proposed the Special Dividend of RMB0.301459 per Share (inclusive of tax) and RMB303,758,000 in aggregate (inclusive of tax). The Special Dividend was paid to holders of Domestic Shares in RMB and to holders of H Shares in HK$. The actual amount of the Special Dividend paid in HK$ to holders of H Shares was calculated according to the average closing exchange rate of RMB against Hong Kong dollars as published by the People's Bank of China for one calendar week preceding the date of the General Meeting.

Highest and lowest H Share prices

During the Relevant Period, the highest closing price quoted on the Stock Exchange was HK$1.93 per H Share on 4 October 2016, 7 October 2016 and 11 October 2016 and the lowest closing price quoted on the Stock Exchange was HK$1.02 per H Share on 26 January 2016.

Confirmation of financial resources available for the Offer

The Offeror will finance the consideration under the Offer from its internal resources. Anglo Chinese, as the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy full acceptance of the Offer.

Effect of accepting the Offer

By accepting the Offer, the Offer Shareholders will sell their Offer Shares free from all Encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, i.e., the date of this Composite Document (but excluding the Special Dividend). **Offer Shareholders should note that acceptance of the Offer will not have impact on their entitlement to the Special Dividend. Provided a Shareholder appeared as a registered Shareholder as at the Record Date, such a Shareholder will be entitled to the Special Dividend irrespective of whether they accept the Offer or not.**

Save for the Special Dividend, from the date of the Joint Announcement up to the Latest Practicable Date, there was no dividend or distribution declared, paid or made by the Target.

The Offer is unconditional in all respects and will remain open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Offer tendered by the Offer Shareholders shall be unconditional and irrevocable once given and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code, details of which are set out in section 4 headed "Right of Withdrawal" in Appendix I to this Composite Document.

Overseas Shareholders

As the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdictions in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration of filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirement and the payment of any transfer or other taxes due in respect of such jurisdiction).

Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a representation and a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Offer.

Stamp duty

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or, if higher, the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to the Offer Shareholders who accept the Offer.

The Offeror will bear its own portion of buyer's ad valorem stamp duty under the Offer at the rate of 0.1% of the amount payable in respect of relevant acceptances or, if higher, the value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

The Offeror will be responsible to account to the Stamp Office of Hong Kong for the stamp duty payable for the sale and purchase of the relevant Offer Shares pursuant to the acceptances of the Offer.

Payment

Payment (after deducting the accepting Offer Shareholders' share of stamp duty) in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within 7 Business Days of the date duly completed acceptances are received by the Offeror to render each such acceptance complete and valid.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in France and is a wholly-owned subsidiary of the Offeror Parent, being Vallourec SA, a French limited liability company which is listed on Euronext Paris. The Offeror Group is a leading provider of premium tubular solutions, primarily for the energy markets and other industrial application. The Offeror Group has two main activities: (i) seamless tubes; and (ii) speciality products, it also has holding, sales and marketing companies.

INFORMATION ON THE TARGET GROUP

The Target is a joint stock company incorporated in the PRC with limited liability and its H Shares are listed on the Main Board of the Stock Exchange. The principal business activities of the Target Group are the designing, developing, manufacturing and selling of seamless steel pipes for oil and natural gas exploration, transmission and refining, as well as other seamless steel pipes for boilers and vessels and petrochemical machinery accessories.

REASONS FOR THE ACQUISITION AND THE OFFER AND INTENTIONS OF THE OFFEROR REGARDING THE TARGET GROUP

The Offeror is currently reviewing the overall businesses of the Target Group and will keep the Shareholders and investors informed by further announcement if it makes any decision which requires disclosure pursuant to the Takeovers Code. Except as otherwise described in the Joint Announcement, the Circular and this Composite Document, having had regard to the current general business conditions relevant to the Target Group and the Offeror Group, the Offeror does not intend to introduce any major changes to the existing business and operations of the Target Group following the Closing Date. The Offeror will continue to ensure good corporate governance, monitor and review the Target Group's business and operations from time to time, and may take steps that it deems necessary or appropriate to optimise the value of the Target Group.

Any restructuring, if it materialises, will be conducted in accordance with all applicable laws, rules and regulations and the Target will make further announcement(s) in compliance with the Listing Rules as and when required. Save as in connection with the Offeror's intention regarding the Target Group as set out above and the proposed Board Changes as mentioned in this Composite Document, the Offeror has no plan to terminate the employment of employees or other personnel of the Target Group.

The Offeror Group is a manufacturer of steel tubes and pipes and a provider of tubing solutions that serves the energy and industrial sectors. The Offeror considers the principal business of the Target to be a strategic fit with the business of the Offeror Group. Building on a successful long-term partnership with the Target, the Offeror intends to leverage the Target's technologically-advanced industrial assets and low cost pipes to develop a more competitive product offering for the enlarged Offeror Group, in particular by exploiting synergies that will exist between the Offeror Group and the Target Group following the Offeror becoming the majority owner of the Target. The Offeror considers the Offer to be in its and the Target's long-term commercial interest.

Board Changes

As at the Latest Practicable Date, the Board comprises Mr. Ye Shiqu, Mr. Zhang Huming and Ms. Fu Jun as executive Directors; Mr. Liu Peng and Mr. Bruno Saintes as non-executive Directors; and Mr. Zhao Bin, Mr. Wang Bo and Mr. Wang Jie as independent non-executive Directors.

In compliance with Rule 7 of the Takeovers Code, it is intended the following existing executive Directors and non-executive Directors as at the Latest Practicable Date will resign with effect from the earliest time permitted under the Takeovers Code (that is, upon the first Closing Date). Mr. Ye Shiqu intends to resign as the Target's Chairman and an executive Director; and Mr. Liu Peng intends to resign as a non-executive Director and a member of each of the audit committee, remuneration committee, and nomination committee of the Target; both with effect from the first Closing Date of the Offer. In addition, Mr. Bruno Saintes also intends to resign as a non-executive Director, and Mr. Huang Yaoqi intends to resign as the Target's supervisor, both with effect from the first Closing Date of the Offer. The Target will make further announcement in accordance with the Listing Rules when Mr. Ye Shiqu, Mr. Liu Peng, Mr. Bruno Saintes, and Mr. Huang Yaoqi tender their respective resignations.

Pursuant to the Sale and Purchase Agreement, the Offeror intends to appoint new Directors with effect not earlier than such date as is permitted under the Takeovers Code (that is, with effect from the first Closing Date). Accordingly the Board proposed the appointment of the following individuals as new Directors: (i) Mr. Bogdan Codrut Burchila as the Chairman and an executive Director in replacement of Mr. Ye Shiqu ("**Mr. Burchila**"); (ii) Mr. Pascal Gustave Ulysse Braquehais as a non-executive Director and a member of the audit committee, remuneration committee, and nomination committee of the Target in replacement of Mr. Liu Peng ("**Mr. Braquehais**"); (iii) Mr. Edouard Frederic Guinotte as a non-executive Director in replacement of Mr. Bruno Saintes ("**Mr. Guinotte**"); and (iv) Mr. Jean-Pierre Michel as the Target's supervisor in replacement of Mr. Huang Yaoqi ("**Mr. Michel**"). Each appointment was approved by the Shareholders at the General Meeting held on 7 October 2016. A further announcement will be made upon the appointment of the new Directors. The biographical details of the new Directors are set out below.

Except as noted above, the Offeror intends to rely on the experience of the current management of the Target Group to ensure the continued operation of the Target Group's existing business. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules.

Biographic details of the new Directors

Mr. Burchila, aged 43, will be appointed as an executive Director of the Target. Mr. Burchila graduated from Paris' Ecole Polytechnique in 1998, majoring in Fluid Mechanics, and also holds a double EMBA degree from INSEAD (France) and Tsinghua University (Beijing). Mr. Burchila worked in the automotive industry (VALEO) in research & development and manufacturing, and also in the oil and gas industry where he held various positions, including as chief operations officer and country quality manager for

ArcelorMittal. He joined the Offeror Group in 2011 as the technical and quality director for Vallourec Oil & Gas China. He is currently the general manager of Vallourec Oil & Gas China, managing director of VAM Changzhou (a premium threading manufacturing plant) and managing director of Vallourec Field Services Beijing. Mr. Burchila is also member of the eastern hemisphere management committee.

Mr. Braquehais, aged 50, will be appointed as a non-executive Director of the Target. Mr. Braquehais graduated from Rouen University, France, in 1989, majoring in finance. He has 6 years' experience in auditing and financial consulting services and 20 years' experience in conducting international business across multi-cultural environments. In his previous working experience, he has been employed with Ernst & Young and Tyco International Limited. He joined the Offeror Group in 2002 in the corporate finance division working on mergers & acquisitions and various group projects. Then he became the chief financial officer of Vallourec North America and a member of the executive committee of the same region in 2008. He has been a member of different boards of directors of North American entities of the Offeror Group. Mr. Braquehais has been the managing director for Asia-Pacific of the Offeror Group since February 2016. He was appointed as a non-executive director of the Offeror Group in 2016.

Mr. Guinotte, aged 46, will be appointed as a non-executive Director of the Target. Mr. Guinotte graduated from Paris' Engineering School of Mines in 1993, majoring in energy and production systems. He joined the Offeror Group in 1995 and since then has been working in various management positions in production, controlling, mergers & acquisitions and marketing and sales, both in the automotive and oil and gas industry.

Mr. Michel, aged 61, will be appointed as the supervisor of the Target. Mr. Michel graduated from the École Polytechnique and Institut Français de Gestion. He has worked for more than 35 years with the Offeror Group in plant management and management control and has been the chairman of various divisions. Mr. Michel has been a member of the management board and the CEO of the Offeror Parent since 2006 and 2009 respectively. He also holds various other positions in the Offeror Group, including being: the CEO and a Director of the Offeror (since 2006), a Director of Vallourec Heat Exchanger Tubes (since 2006), a Director of Vallourec Services (since 2006), a Director of Vallourec Heat Exchanger Tubes Asia (since 2004), a manager of Vallourec One (since 2004), a director of Vallourec Tubos do Brasil S.A. (Brazil) (since 2008), a director of Vallourec & Sumitomo Tubos do Brasil (Brazil) (since 2007), a director of Vallourec Industries Inc. (United States) (since 2001), a director of Vallourec Holdings, Inc. (United States) (since 2004), a director of VAM USA LLC (United States) (since 2009), the chairman of the supervisory board of Vallourec Deutschland GmbH (since 2009), a member of the executive committee of Vallourec Star, LP (United States) (since 2002), a director of Vallourec USA Corporation (United States) (since 2000), a director of Vallourec Drilling Products USA, Inc. (United States) (since 2005) and a director of Vallourec Oil & Gas UK Ltd. (United Kingdom) (since 2000). He is also a director of Esso Société Anonyme Française (since 2014).

Delisting of the Target

The Offeror proposes to delist the Target from the Stock Exchange following the Closing Date. Accordingly pursuant to Listing Rule 6.12 the General Meeting was held on 7 October 2016 for, amongst other business, Independent Shareholders to consider and vote on the Delisting Resolution. The H Share class meeting was also held on 7 October 2016 for Independent H Shareholders to consider and vote on the Delisting Resolution. The Delisting Resolution was passed by the Independent Shareholders by way of a poll vote at the General Meeting and by the Independent H Shareholders by way of a poll vote at the H Share class meeting but it will not become effective until after the end of the Offer Period.

Withdrawal of listing of the H Shares

The Target has made an application for the listing of the H Shares to be withdrawn from the Stock Exchange in accordance with the Listing Rules. The withdrawal of the H Shares shall take effect following the end of the Offer Period. Shareholders will be notified by way of an announcement of the date of the last day of dealings in the H Shares and the date on which the withdrawal of the listing of the H Shares on the Stock Exchange will become effective.

NO RIGHT OF COMPULSORY ACQUISITION

The Offeror has no rights under the laws of the PRC and the articles of association of the Target to compulsorily acquire the Offer Shares outstanding and not acquired under the Offer after the close of the Offer.

Accordingly, Offer Shareholders are reminded that if they do not accept the Offer, once the H Shares are delisted from the Stock Exchange, this will result in the Offer Shareholders holding unlisted H Shares and the liquidity of the H Shares may be severely reduced. In addition, the Target will not continue to be subject to the Listing Rules and may not continue to be subject to the Takeovers Code after the end of the Offer Period and the rights of Offer Shareholders to certain information of the Target will be reduced.

PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, Offer Shareholders should complete the accompanying Form(s) of Acceptance and Transfer for the Offer Shares in accordance with the instructions printed thereon. The Form(s) of Acceptance and Transfer form part of the terms of the Offer. The completed Form(s) of Acceptance and Transfer should then be forwarded, together with the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of the Offer Shares in respect of which you intend to tender under the Offer, by post or by hand, to the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in an envelope marked "Anhui Tianda Oil Pipe Company Limited Offer" as soon as possible after the receipt of this Composite Document but in any event not later than 4:00 p.m. on the Closing Date. No acknowledgement of receipt of any Form(s) of Acceptance and Transfer and the title documents will be given.

Your attention is drawn to section 1 headed "General procedures for acceptance of the Offer" as set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance and Transfer.

Settlement of the Offer

Provided that the accompanying Form(s) of Acceptance and Transfer for the Offer Shares, together with the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each accepting Offer Shareholder in respect of the Offer Shares tendered under the Offer (less seller's ad valorem stamp duty payable by him/her/it) will be despatched to the accepting Offer Shareholder by ordinary post at its own risk as soon as possible but in any event within 7 Business Days from the date of receipt of all relevant documents (receipt of which renders such acceptance complete and valid) by the Registrar in accordance with the Takeovers Code. The consideration to which any accepting Offer Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty) set out in this Composite Document (including Appendix I to this Composite Document) and the accompanying Form(s) of Acceptance and Transfer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Offer Shareholder.

Tax Implications

Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Offeror, the Target, their respective ultimate beneficial owners and parties acting in concert with them, Anglo Chinese, Gram Capital, Ascenda Cachet, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer is in a position to advise the Offer Shareholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

GENERAL

To ensure equality of treatment of all Offer Shareholders, those Offer Shareholders who hold Offer Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of Offer Shares, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances will be sent to the Offer Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, or, in case of joint holders to the Offer Shareholder at the address of the person whose name appears first in the said register of members, unless otherwise specified in the accompanying Form(s) of Acceptance and Transfer completed, returned and received by the Registrar. None of the Offeror, the Target, their respective ultimate beneficial owners and parties acting in concert with them, Anglo Chinese, Gram Capital, Ascenda Cachet, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form(s) of Acceptance and Transfer, which form part of this Composite Document. In addition, your attention is also drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" and the letter of advice by the Independent Financial Adviser to the Independent Board Committee in respect of the Offer as set out in the "Letter from Gram Capital" contained in this Composite Document.

Yours faithfully,
For and on behalf of
Anglo Chinese Corporate Finance, Limited
Dennis Cassidy
Director, Head of Corporate Finance

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)

Executive Directors:
Mr. Ye Shiqu *(Chairman)*
Mr. Zhang Huming *(Deputy Chairman)*
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

Registered office:
Zhenxing Road, Tongcheng Town
Tianchang City, Anhui Province
the PRC

Principal place of business in Hong Kong:
Unit 406B, 4/F Mirror Tower
61 Mody Road, Tsim Sha Tsui
Kowloon, Hong Kong

4 November 2016

To the Offer Shareholders

Dear Sir/Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY ANGLO CHINESE CORPORATE FINANCE, LIMITED ON BEHALF OF VALLOUREC TUBES SAS FOR ALL THE ISSUED H SHARES IN ANHUI TIANDA OIL PIPE COMPANY LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY VALLOUREC TUBES SAS AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

On 3 February 2016, the Offeror and the Target jointly announced that on 29 January 2016 the Offeror had entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Offeror had conditionally agreed to purchase and the Vendors had conditionally agreed to sell the Sale Shares, representing approximately 50.61% of the entire issued share capital of the Target as at the Latest Practicable Date, for a total cash consideration of HK$846,600,000, equivalent to HK$1.66 per Sale Share.

Immediately after the Effective Transfer Date which took place on 28 October 2016 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned 706,000,000 Shares, consisting of 510,000,000 Domestic Shares and 196,000,000 H Shares, collectively representing approximately 70.07% of the entire issued share capital of the Target. Accordingly under Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued H Shares at not less than HK$1.66 per Offer Share, 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 Offer is made.

The Offeror and the Target jointly issued an announcement dated 4 August 2016 pursuant to which the Offeror amended the proposed terms of the mandatory unconditional cash offer by offering the additional consideration of HK$0.01 per Offer Share conditional on the passing of the Delisting Resolution. As the condition has been met, the Offer Price is now HK$1.67 per Offer Share.

Further terms and procedures of acceptances of the Offer are set out in the "Letter from Anglo Chinese" and Appendix I to this Composite Document of which this letter forms part. The purpose of this Composite Document is to provide you with, among other things, information relating to the Target and the Offer, the recommendation of the Independent Board Committee to the Offer Shareholders and the "Letter from Gram Capital" to the Independent Board Committee in relation to the Offer.

THE OFFER

The Offer Price of HK$1.67 for each Offer Share is equal to the purchase price of HK$1.66 for each Offer Share to be paid for each Sale Share by the Offeror pursuant to the Sale and Purchase Agreement plus the additional consideration of HK$0.01 for each Offer Share which is payable as a result of the passing of the Delisting Resolution.

As at the Latest Practicable Date, there were 497,626,000 H Shares in issue. There are no outstanding options, warrants, derivatives or convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

No offer is being made for the Domestic Shares, as from the Effective Transfer Date the Offeror holds all Domestic Shares issued by the Target.

As stated in the "Letter from Anglo Chinese", the Offer will be made to the Offer Shareholders, who in aggregate held 301,626,000 Offer Shares as at the Latest Practicable Date. Based on the Offer Price of HK$1.67 per Share, the Offeror will be required to pay an aggregate amount of up to HK$503,715,420 under the Offer.

Principal Terms of the Offer

Anglo Chinese, on behalf of the Offeror, has made the Offer on the terms set out in this Composite Document on the following basis:

For each Offer Share .... HK$1.67 in cash

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Offer Shares or any other conditions.

The Offer Shares to be acquired under the Offer shall be fully paid, free from all Encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, i.e., the date of this Composite Document (but excluding the Special Dividend). **Offer Shareholders should note that acceptance of the Offer will not have impact on their entitlement to the Special Dividend. Provided a Shareholder appeared as a registered Shareholder as at the Record Date, such a Shareholder will be entitled to the Special Dividend irrespective of whether they accept the Offer or not.**

Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under Rule 19.2 of the Takeovers Code, details of which are set out in section 4 headed "Right of Withdrawal" in Appendix I to this Composite Document.

Your attention is drawn to the further details regarding the Offer, including terms and procedures for acceptance of the Offer as set out in the "Letter from Anglo Chinese" and Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

INFORMATION ON THE TARGET GROUP

The Target is a joint stock company incorporated in the PRC with limited liability and its H Shares are listed on the Main Board of the Stock Exchange. The principal business activities of the Target Group are the designing, developing, manufacturing and selling of seamless steel pipes for oil and natural gas exploration, transmission and refining, as well as other seamless steel pipes for boilers and vessels and petrochemical machinery accessories.

Certain audited financial information of the Target Group for the three years ended 31 December 2015 and certain unaudited financial information of the Target Group for the six month periods ended 30 June 2015 and 30 June 2016 are set out below:

	Six months ended 30 June		Year ended 31 December		
	2016	**2015**	**2015**	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	766,402	1,085,988	2,032,445	2,881,955	3,309,690
Gross profit	20,322	67,194	85,916	246,431	229,340
Profit/(loss) before taxation	(58,191)	19,505	(25,116)	77,416	66,362
Profit/(loss) for the year	(69,351)	14,629	(19,050)	57,779	49,285
Profit/(loss) for the year attributable to owners of the Target	(69,351)	14,629	(19,050)	57,779	49,285
Consolidated net asset value	1,855,382	2,079,327	1,924,733	2,225,918	2,329,359

A summary of the published audited financial results of the Target Group for each of the three financial years ended 31 December 2013, 2014 and 2015 and the unaudited financial results of the Target Group for the six month periods ended 30 June 2015 and 2016 are set out in Appendix II to this Composite Document.

SHAREHOLDING STRUCTURE OF THE TARGET

The following table sets out the shareholding structure of the Target (a) immediately before the Effective Transfer Date and (b) immediately after the Effective Transfer Date and as at the Latest Practicable Date:

	Immediately before the Effective Transfer Date		Immediately after the Effective Transfer Date and as at the Latest Practicable Date	
	Number of Shares	*%*	*Number of Shares*	*%*
Domestic Shares				
Vendors	510,000,000	50.61%	–	–
Offeror and persons acting in concert with it	–	–	510,000,000	50.61%
Total Domestic Shares	510,000,000	50.61%	510,000,000	50.61%
H Shares				
Companies controlled by the Vendors*(Note 1)*	49,719,000	4.93%	49,719,000	4.93%
Offeror and persons acting in concert with it	196,000,000	19.45%	196,000,000	19.45%
Public Shareholders	251,907,000	25.00%	251,907,000	25.00%
Total H Shares	497,626,000	49.39%	497,626,000	49.39%
Total share capital of the Target	1,007,626,000	100%	1,007,626,000	100%

Note 1: Tiancheng Changyun International Company Limited and Tianfa International Development Co., Limited who respectively hold 20,000,000 H Shares and 29,719,000 H Shares and have the same ultimate beneficial owners as the Vendors.

INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed "Information on the Offeror" in the "Letter from Anglo Chinese" as set out in this Composite Document.

INTENTIONS OF THE OFFEROR IN RELATION TO THE TARGET GROUP

Your attention is drawn to the sections headed "Information on the Offeror" and "Reasons for the Acquisition and the Offer and intentions of the Offeror regarding the Target Group" in the "Letter from Anglo Chinese" as set out in this Composite Document. The Board is aware of the intentions of the Offeror in respect of the Target Group and its employees and is willing to render reasonable co-operation to the Offeror for the implementation of its intentions regarding the Target Group which is in the interests of the Target Group and the Shareholders as a whole.

For the changes to the composition of the Board, please refer to the subsection headed "Board Changes" in the "Letter from Anglo Chinese" as set out in this Composite Document.

PROFIT ESTIMATE

Reference is made to section 4 of Appendix II in this Composite Document in relation to, among others, the following statements (the "**Profit Estimate**"):

(i) the Target Group recorded a decrease in (a) revenue and cost of sales for the nine months ended 30 September 2016 as compared to the corresponding period in 2015, which was mainly attributable to the decrease in sales volume and average selling price of products 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; and (b) gross profit and gross profit margin for the nine months ended 30 September 2016 as compared to the corresponding period in 2015, which 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 Target 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. The decrease in sales volume and gross profit for the nine months ended 30 September 2016, together with the decrease in other income and gains and the increase in other expenses, caused the Target Group to record net loss for the nine months ended 30 September 2016 as compared to a net profit for the corresponding period in 2015; and

(ii) the Target Group recorded a decrease in other income and gains for the nine months ended 30 September 2016 as compared to the corresponding period in 2015, which was mainly due to the decrease in investment income from (a) bank financial products; and (b) foreign exchange forward contracts not qualifying as hedges.

The Profit Estimate of the Target Group for the nine months ended 30 September 2016 prepared by the Target's directors is based on the unaudited consolidated management financial statements of the Target Group for the nine months ended 30

September 2016 with the comparative figures for the corresponding period in 2015. The Profit Estimate has been prepared, in all material aspects, in accordance with the accounting policies consistent with those normally by the Target Group as set out in the annual report of the Target for the year ended 31 December 2015.

With the commencement of the Offer Period, pursuant to Rule 10 of the Takeovers Code, the Profit Estimate constitutes a profit forecast and must be reported on by the Target's financial adviser and auditors in accordance with Rule 10.4 of the Takeovers Code.

In this regard, the Profit Estimate has been reported on by Ascenda Cachet, a member firm of the Hong Kong Institute of Certified Public Accountants and Gram Capital, the Independent Financial Adviser. Ascenda Cachet is of the opinion that, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases made by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Target Group as set out in the annual report of the Target for the year ended 31 December 2015. Gram Capital is satisfied that the Profit Estimate has been made by the Directors with due care and consideration. Your attention is drawn to the reports issued by Ascenda Cachet and Gram Capital on the statement of the Profit Estimate set out in Appendix III and Appendix IV to this Composite Document, respectively.

Withdrawal of listing of the H Shares

The Target has made an application for the listing of the H Shares to be withdrawn from the Stock Exchange in accordance with the Listing Rules. The withdrawal of the H Shares shall take effect following the end of the Offer Period. Shareholders will be notified by way of an announcement of the date of the last day of dealings in the H Shares and the date on which the withdrawal of the listing of the H Shares on the Stock Exchange will become effective.

NO RIGHT OF COMPULSORY ACQUISITION

The Offeror has no rights under the laws of the PRC and the articles of association of the Target to compulsorily acquire the Offer Shares outstanding and not acquired under the Offer after the close of the Offer.

Accordingly, Offer Shareholders are reminded that if they do not accept the Offer, once the H Shares are delisted from the Stock Exchange, this will result in the Offer Shareholders holding unlisted H Shares and the liquidity of the H Shares may be severely reduced. In addition, the Target will not continue to be subject to the Listing Rules and may not continue to be subject to the Takeovers Code after the end of the Offer Period and the rights of Offer Shareholders to certain information of the Target will be reduced.

ADVICE

The Independent Board Committee has been established to make recommendations to the Offer Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer. Your attention is drawn to the "Letter from the Independent Board Committee" and the "Letter from Gram Capital" as set out in this Composite Document containing their advice and recommendation to the Independent Board Committee in respect of the Offer.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I to this Composite Document and the accompanying Form(s) of Acceptance and Transfer for further details in respect of the procedures for acceptance of the Offer.

Yours faithfully,
On behalf of the Board
Anhui Tianda Oil Pipe Company Limited
Ye Shi Qu
Chairman

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)

To the Offer Shareholders

4 November 2016

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY ANGLO CHINESE CORPORATE FINANCE, LIMITED ON BEHALF OF VALLOUREC TUBES SAS FOR ALL THE ISSUED H SHARES IN ANHUI TIANDA OIL PIPE COMPANY LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY VALLOUREC TUBES SAS AND PARTIES ACTING IN CONCERT WITH IT)

We refer to the Composite Document dated 4 November 2016 jointly issued by the Offeror and the Target, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in this Composite Document.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Offer and to advise you (i.e. Offer Shareholders) as to whether or not the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. Gram Capital has been appointed as the Independent Financial Adviser to make a recommendation to us in respect of whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the "Letter from Gram Capital" in this Composite Document.

We also wish to draw your attention to the "Letter from the Board", the "Letter from Anglo Chinese" and the additional information set out in the appendices to this Composite Document.

Taking into account the terms of the Offer and the independent advice from Gram Capital, we consider that the terms of the Offer are fair and reasonable so far as the Offer Shareholders are concerned. Accordingly, we recommend the Offer Shareholders to accept the Offer. Offer Shareholders are recommended to read the full text of the "Letter from Gram Capital" set out in this Composite Document.

Your faithfully,
For and on behalf of
the Independent Board Committee
ANHUI TIANDA OIL PIPE COMPANY LIMITED

Mr. Zhao Bin	**Mr. Wang Bo**	**Mr. Wang Jie**

Independent Non-executive Directors

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee in respect of the Offer for the purpose of inclusion in this Composite Document.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

4 November 2016

To: The Independent Board Committee of
Anhui Tianda Oil Pipe Company Limited

Dear Sirs,

MANDATORY UNCONDITIONAL CASH OFFER BY ANGLO CHINESE CORPORATE FINANCE, LIMITED ON BEHALF OF VALLOUREC TUBES SAS FOR ALL THE ISSUED H SHARES IN ANHUI TIANDA OIL PIPE COMPANY LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY VALLOUREC TUBES SAS AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document dated 4 November 2016 jointly issued by Anhui Tianda Oil Pipe Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") and the Offeror to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

The Offeror and the Company jointly issued an announcement dated 2 February 2016 which stated that on 29 January 2016, the Offeror had entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Offeror had conditionally agreed to purchase and the Vendors had conditionally agreed to sell the Sale Shares, representing approximately 50.61% of the entire issued share capital of the Company as at the Latest Practicable Date, for a total cash consideration of HK$846,600,000, equivalent to HK$1.66 per Sale Share.

Immediately after the Effective Transfer Date which took place on 28 October 2016 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned 706,000,000 Shares, consisting of 510,000,000 Domestic Shares and 196,000,000 H

Shares, collectively representing approximately 70.07% of the entire issued share capital of the Company. Accordingly under Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued H Shares at not less than HK$1.66 per Offer Share, 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 Offer is made. No offer is being made for the Domestic Shares, as with effect from the Effective Transfer Date the Offeror held all Domestic Shares issued by the Company.

The Offeror and the Company jointly issued an announcement dated 4 August 2016 pursuant to which the Offeror amended the proposed terms of the mandatory unconditional cash offer by offering the additional consideration of HK$0.01 per Offer Share conditional on the passing of the Delisting Resolution. As the condition has been met, the Offer Price is now HK$1.67 per Offer Share.

The Independent Board Committee comprising Mr. Zhao Bin, Mr. Wang Bo and Mr. Wang Jie (all being independent non-executive Directors) has been formed to advise the Independent H Shareholders on whether the Offer is fair and reasonable and as to the acceptance of the Offer. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer. The appointment of Gram Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Mr. Graham Lam was the person signing off the opinion letter from the independent financial adviser contained in (i) the circular dated 24 December 2014 in respect of the continuing connected transactions for the Company; and (ii) the circular dated 10 September 2016 in respect of the proposed Withdrawal of Listing (as defined below). Notwithstanding the aforesaid past engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company, the Offeror or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the Directors and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the Directors and the Offeror (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Offeror (where applicable) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors and the Offeror (where applicable), which have been provided to us. Our opinion is based on the Directors' and the Offeror's representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Offer. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

The Offeror Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than that in relation to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, their opinions expressed in the Composite Document (other than those expressed by the Group, the Directors and Gram Capital) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document the omission of which would make any statements in the Composite Document misleading.

The Offeror Parent Management Members jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than that in relation to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, their opinions expressed in the Composite Document (other than those expressed by the Group, the Directors and Gram Capital) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document the omission of which would make any statements in the Composite Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than that in relation to the Offeror Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, their opinions expressed in the Composite Document (other than those expressed by the Offeror Group) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document the omission of which would make any statements in the Composite Document misleading.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Offeror or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Offer.

We have assumed that the Offer will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Offer, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offer. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date. The Independent H Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Offer, we have taken into consideration the following principal factors and reasons:

(1) Background and terms of the Offer

The Offeror and the Company jointly issued an announcement dated 2 February 2016 which stated that on 29 January 2016, the Offeror had entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Offeror had conditionally agreed to purchase and the Vendors had conditionally agreed to sell the Sale Shares, representing approximately 50.61% of the entire issued share capital of the Company as at the Latest Practicable Date, for a total cash consideration of HK$846,600,000, equivalent to HK$1.66 per Sale Share.

Immediately after the Effective Transfer Date which took place on 28 October 2016 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned 706,000,000 Shares, consisting of 510,000,000 Domestic Shares and 196,000,000 H Shares, collectively representing approximately 70.07% of the entire issued share capital of the Company. Accordingly under Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued H Shares at not less than HK$1.66 per Offer Share, 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 Offer is made. No offer is being made for the Domestic Shares, as with effect from the Effective Transfer Date the Offeror held all Domestic Shares issued by the Company.

The Offeror and the Company jointly issued an announcement dated 4 August 2016 pursuant to which the Offeror amended the proposed terms of the mandatory unconditional cash offer by offering the additional consideration of HK$0.01 per Offer Share conditional on the passing of the Delisting Resolution. As the condition has been met, the Offer Price is now HK$1.67 per Offer Share.

The Offer

The Offer Price of HK$1.67 for each Offer Share is equal to the purchase price of HK$1.66 for each Offer Share that was paid for each Sale Share by the Offeror pursuant to the Sale and Purchase Agreement plus the additional consideration of HK$0.01 for each Offer Share which is payable as a result of the passing of the Delisting Resolution.

As at the Latest Practicable Date, the Company had 497,626,000 H Shares in issue. There are no outstanding options, warrants, derivatives or convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

No offer is being made for the Domestic Shares, as from the Effective Transfer Date, the Offeror holds all Domestic Shares issued by the Company.

Principal terms of the Offer

For each Offer Share .... HK$1.67 in cash

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Offer Shares or any other conditions.

The Offer Shares to be acquired under the Offer shall be fully paid, free from all Encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made, i.e., the date of the Composite Document (but excluding the Special Dividend).

Total consideration for the Offer Shares

Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Closing Date and based on the Offer Price of HK$1.67 per Offer Share and the 1,007,626,000 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at approximately HK$1,682,735,420.

The Offer will be made to the Offer Shareholders, who in aggregate held 301,626,000 Offer Shares as at the Latest Practicable Date. In the event that the Offer is accepted in full, the maximum amount payable by the Offeror under the Offer will be approximately HK$503,715,420.

(2) Information on the Group

The principal business activities of the Group are designing, developing, manufacturing and selling of seamless steel pipes for oil and natural gas exploration, transmission and refining, as well as other seamless steel pipes for boilers and vessels and petrochemical machinery accessories.

Set out below is the consolidated financial results of the Group for the two years ended 31 December 2015 and for the six months ended 30 June 2016 (with comparative figures) as extracted from the Company's annual report for the year ended 31 December 2015 (the "**2015 Annual Report**") and the Company's interim report for the six months ended 30 June 2016 (the "**2016 Interim Report**") respectively:

	For the year ended 31 December 2015	**For the year ended 31 December 2014**	**Year on year change**
	RMB'000	*RMB'000*	%
	(audited)	(audited)	
Revenue	2,032,445	2,881,955	(29.48)
Gross profit	85,916	246,431	(65.14)
Profit/(Loss) for the year	(19,050)	57,779	N/A

	For the six months ended 30 June 2016	**For the six months ended 30 June 2015**	**Year on year change**
	RMB'000	*RMB'000*	%
	(unaudited)	(unaudited)	
Revenue	766,402	1,085,988	(29.43)
Gross profit	20,322	67,194	(69.76)
Profit/(Loss) for the period	(69,351)	14,629	N/A

As depicted from the above table, the Group recorded a significant decrease in revenue of approximately 29.48% for the year ended 31 December 2015 ("**FY2015**") as compared to the year ended 31 December 2014 ("**FY2014**"). The Group also recorded substantial decrease in gross profit from FY2014 to FY2015 and net loss for FY2015 as compared to net profit for FY2014. With reference to the 2015 Annual Report and as confirmed by the Directors, the decrease in revenue was mainly attributable to certain factors including the excess supply, the fierce market competition caused by excess supply (major competitors of the Group include Tianjin Pipe (Group) Corporation, Hunan Valin Steel Co., Ltd., Baoshan Iron and Steel Company Limited, Inner Mongolia Baotou Steel Union Co., Ltd. and Pangang Group Chengdu Steel & Vanadium Co., Ltd.) and the decrease in the average pricing of raw material steel. As advised by the Directors, the cost of raw material steel is one of the major factors in determining the selling price of products of the Company.

The price drop in raw material steel would lead to decrease in both of the production cost and selling price of products of the Company. The average selling price per tonne of products of the Company decreased from approximately RMB4,239 in FY2014 to approximately RMB3,355 in FY2015, representing a decrease of approximately 20.9% and the sales volumes decreased from 679,790 tonnes in FY2014 to 605,830 tonnes in FY2015, representing a decrease of approximately 10.9%.

According to the 2015 Annual Report and as confirmed by the Directors, the decrease in gross profit and gross profit margin was mainly due to: (1) the competition being fiercer as a result of the decrease in market demand. As a result of the decline in the crude oil price, there was a slowdown in the exploitation of oil wells which led to a decrease in demand of oil well pipes (being the main products of the Group). As such, the Group adjusted its product mix to focus on the seamless steel pipes which have product specifications for oil and gas transmission. The Group also attempted to expand its customer bases to overseas/sizeable enterprises and sought for high value orders. 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; and (2) the market selling price of products decreased to a greater extent than the decline in market cost of raw materials. The Group recorded net loss for FY2015 was mainly due to the decrease in the Group's gross profit as a result of the decrease in market demand as mentioned above.

With reference to the 2015 Annual Report, the Group takes advantages to strengthen its cost management and risk control and adopts the differential business strategy (i.e. the Group provides customized services to its customers to meet their different requirements) and premium business strategy (i.e. the Group focuses on the seamless steel pipe which has product specifications for oil and gas transmission) which highlights the characteristics and advantage of the Group's various products. In addition, the Group also optimises the adjustment of the product mix and customer base structures.

As depicted from the above table, the Group recorded further loss for the six months ended 30 June 2016. The gross profit and gross profit margin for the six months ended 30 June 2016 were also decreased as compared to the corresponding period in 2015. According to the 2016 Interim Report, such decrease 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.

With reference to the section headed "4. MATERIAL CHANGE" of Appendix II to the Composite Document, the Group recorded a decrease in (a) revenue and cost of sales for the nine months ended 30 September 2016 as compared to the corresponding period in 2015; and (b) gross profit and gross profit margin for the nine months ended 30 September 2016 as compared to the corresponding period in 2015. The decrease in sales volume and gross profit for the nine months ended 30 September 2016, together with the decrease in other income and gains; and the increase in other expenses, caused the Group to record net loss for the nine months ended 30 September 2016 as compared to a net profit for the corresponding period in 2015.

China Steel Construction Society ("**CSCS**") was established in June 1984 by scientists, engineering experts and enterpriser and is a national industrial professional organisation under the supervision of State-owned Assets Supervision and Administration Commission of the State Council of the PRC. According to the 2015年度全國性社會組織評估等級結果公示 (Results of Assessment and Rating on National Social Organization in the PRC (2015)*) as published by the Ministry of Civil Affairs of the PRC, CSCS was rated AAAA among the national industrial organisation in the PRC in 2015. We noted that Mr. Li Qiang, being the chairman (理事長) of Steel Pipe Branch Association of China Steel Construction Society, reported at a member session on 25 April 2016 (the "**Report**") that the output and performance consumption of seamless steel pipes has been experiencing year-on-year decrement since 2014. As indicated by historical data of the output and consumption of seamless steel pipes in PRC, the output and consumption of seamless steel pipes in PRC reached its peak in 2013 with a year-on-year increase of 13.69% and 16.92% respectively, subsequently there was a year-on-year decrease of 2.21% and 3.18% respectively in 2014, and a year-on-year decrease of 6.70% and 5.32% respectively in 2015.

As mentioned in the Report, the followings are the key factors which lower the output of seamless steel pipes:

(i) the decline in crude oil price since 2014 led to decrease in investment to domestic and international oil and gas industries; slowdown in oil and gas exploration and development; and decreasing trend in the consumption of oil pipes and pipelines;

(ii) the sluggish growth of domestic and overseas economy; and

(iii) the weak demand of related downstream industries.

In light of the aforementioned background of CSCS, we consider the Report to be a reasonable source of reference.

In addition, we noted that the average selling price of the Company's products decreased from approximately RMB5,457 per tonne in the first quarter of 2011 to approximately RMB2,920 per tonne in the fourth quarter of 2015. As advised by the Directors, the average selling price of the Company's products in the third quarter of 2016 mildly recovered to RMB3,167.

Having considered the above and that the revenue of the Group has been in a general decreasing trend since 2011, we consider that it is uncertain as to whether the financial performance of the Group will improve in future.

* *For identification purpose only*

The Offeror proposes to delist the Company from the Stock Exchange following the Closing Date. Accordingly pursuant to Rule 6.12 of the Listing Rule, the General Meeting was held on 7 October 2016 for, amongst other business, Independent Shareholders to consider and vote on the Delisting Resolution. The H Share class meeting was also held on 7 October 2016 for Independent H Shareholders to consider and vote on the Delisting Resolution. The Delisting Resolution was passed by the Independent Shareholders by way of a poll vote at the General Meeting and by the Independent H Shareholders by way of a poll vote at the H Share class meeting but it will not become effective until after the end of the Offer Period.

The Company has made an application for the listing of the H Shares to be withdrawn from the Stock Exchange (the "**Withdrawal of Listing**") in accordance with the Listing Rules. The Withdrawal of Listing shall take effect following the end of the Offer Period. Shareholders will be notified by way of an announcement of the date of the last day of dealings in the H Shares and the date on which the Withdrawal of Listing will become effective.

(3) Information on the Offeror

To provide Independent H Shareholders with basic information on the background of the Offeror, set out below is the key information on the Offeror as extracted from the "Letter from Anglo Chinese" of the Composite Document (the "**Anglo Chinese Letter**"):

The Offeror is a company incorporated in France and is a wholly-owned subsidiary of the Offeror Parent, being Vallourec SA, a French limited liability company which is listed on Euronext Paris. The Offeror Group is a leading provider of premium tubular solutions, primarily for the energy markets and other industrial application. The Offeror Group has two main activities: (i) seamless tubes; and (ii) speciality products, it also has holding, sales and marketing companies.

(4) Intentions of the Offeror regarding the Group

With reference to the Anglo Chinese Letter, building on a successful long-term partnership with the Company, the Offeror intends to leverage the Company's technologically-advanced industrial assets and low cost pipes to develop a more competitive product offering for the enlarged Offeror Group, in particular by exploiting synergies that will exist between the Offeror Group and the Group following the Offeror becoming the majority owner of the Company by combining the Offeror Group's proprietary technology with the Group's cost competitive pipes (the "**Intended Actions**"). The Offeror considers the Offer to be in its and the Company's long-term commercial interest.

We consider the above-mentioned intention of the Offeror to be beneficial to the Group. Nevertheless, we cannot foresee the effect of the Intended Actions on the Group's future financial performance. Given also the unsatisfactory financial performance of the Group and the unfavourable market conditions as demonstrated under the section headed "(2) Information on the Group" above, it is also doubtful as to whether the Intended Actions can improve the financial performance of the Group in foreseeable future.

The Offeror is currently reviewing the overall businesses of the Group and will keep the Shareholders and investors informed by further announcement if it makes any decision which requires disclosure pursuant to the Takeovers Code. Except as otherwise described in the Joint Announcement, the Circular and the Composite Document (i.e. the Intended Actions), the Offeror, having had regard to the current general business conditions relevant to the Group and the Offeror Group does not intend to introduce any major changes to the existing business and operations of the Group following the Closing Date. The Offeror will continue to ensure good corporate governance, monitor and review the Group's business and operations from time to time, and may take steps that it deems necessary or appropriate to optimise the value of the Group.

Any restructuring, if it materialises, will be conducted in accordance with all applicable laws, rules and regulations and the Company will make further announcement(s) in compliance with the Listing Rules as and when required. Save as in connection with the Offeror's intention regarding the Group as set out above and the proposed Board Changes as set out under the section headed "Board Changes" in the Anglo Chinese Letter, the Offeror has no plan to terminate the employment of employees or other personnel of the Group.

(5) The Offer Price

The Offer Price of HK$1.67 per Offer Share represents:

(a) a premium of approximately 0.6% over the closing price of HK$1.66 per H Share as at the Latest Practicable Date;

(b) a premium of approximately 59% over the closing price of HK$1.05 per H Share as quoted on the Stock Exchange on 29 January 2016, being the Last Trading Day;

(c) a premium of approximately 59% over the average closing price of the H Shares as quoted on the Stock Exchange for the last 5 consecutive full trading days immediately prior and including the Last Trading Day, being approximately HK$1.05 per H Share;

(d) a premium of approximately 49% over the average closing price of the H Shares as quoted on the Stock Exchange for the last 30 consecutive full trading days immediately prior and including the Last Trading Day, being approximately HK$1.12 per H Share;

(e) a premium of approximately 35% over the average closing price of the H Shares as quoted on the Stock Exchange for the last 60 consecutive full trading days immediately prior and including the Last Trading Day, being approximately HK$1.24 per H Share;

(f) a premium of approximately 28% over the average closing price of the H Shares as quoted on the Stock Exchange for the last 90 consecutive full trading days immediately prior and including the Last Trading Day, being approximately HK$1.30 per H Share;

(g) a premium of approximately 20% over the average closing price of the H Shares as quoted on the Stock Exchange for the last 180 consecutive full trading days immediately prior and including the Last Trading Day, being approximately HK$1.39 per H Share;

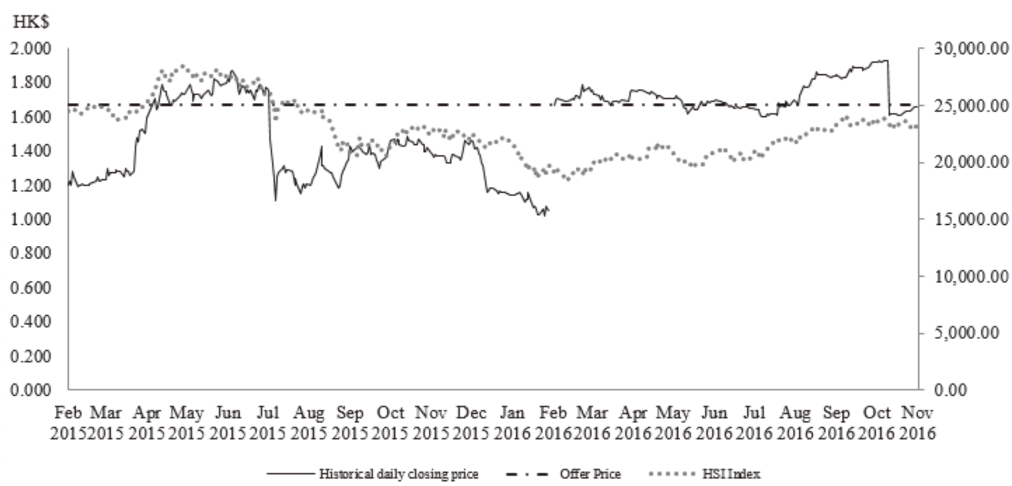
(h) the closing price of the H Shares on 4 August 2016, being the date of announcement for the revised Offer Price; and

(i) a discount of approximately 23% to the unaudited net asset value per Share as at 30 June 2016 (the "**NAV Discount**").

Historical price performance of the H Shares

Set out below is a chart showing the movement of the daily closing price of the H Shares and Hang Seng Index ("**HSI**") as quoted from Bloomberg from 2 February 2015, being approximately one year prior to the date of commencement of Offer Period, up to and including the Latest Practicable Date (the "**Review Period**"):

Historical daily closing price per H Share, the HSI Index and the Offer Price



Source: Bloomberg

Note: Trading in the H Shares was suspended from 1 February 2016 to 2 February 2016 (both days inclusive).

During the Review Period, the lowest and highest closing prices of the H Shares as quoted from Bloomberg were HK$1.02 per H Share recorded on 26 January 2016 and HK$1.92 per H Share recorded on 29 September 2016 and 30 September 2016. The closing prices per H Share for the majority of the trading days during the Review Period were below the net asset value per Share of RMB2.06 (equivalent to approximately HK$2.42) as at 30 June 2015, RMB1.91 (equivalent to approximately HK$2.24) as at 31 December 2015 and RMB1.84 (equivalent to approximately HK$2.16) as at 30 June 2016. As illustrated in the above diagram, the Offer Price of HK$1.67 is within the historical price range during the Review Period.

We also noted that the closing prices of the H Shares moved in a general increasing trend from February 2015 to April 2015. The closing prices of the H Shares then surged substantially from April 2015 and reached HK$1.87 per H Share on 5 June 2015. After the closing price of the H Shares reached HK$1.87 per H Share on 5 June 2015, the closing price of the H Shares then decreased substantially during the remaining period of June 2015 and beginning of July 2015. The closing price of the H Shares then fluctuated within a range from HK$1.02 to HK$1.49 from 3 July 2015 to 29 January 2016, being the Last Trading Day. As confirmed by the Directors, the Directors were not aware of any reason/event which caused the aforesaid movements of the closing price per H Share. As shown by the above chart, the movement of the daily closing price of the H Shares was generally in line with the movement of the HSI during the period from 2 February 2015 to the Last Trading Day.

After the publication of the Joint Announcement on 2 February 2016, the closing price of the H Shares surged from HK$1.05 on 29 January 2016 to HK$1.67 on 3 February 2016, representing a significant upsurge of approximately 59.05% (the "**Upsurge**"). As advised by the Directors, they are of the view that the upsurge of the closing price of the H Shares was mainly attributable to the positive market reaction to the Offer. Since 3 February 2016, being the first trading day after the publication of the Joint Announcement, and up to 4 August 2016, the closing price of the H Shares has been moving close to the Offer Price. The closing price of the H Shares increased gradually after 4 August 2016 and reached HK$1.93 on 4 October 2016. The Offer Price was below the closing prices of the H Shares in 122 out of 183 trading days during the period from 3 February 2016 to the Latest Practicable Date. Nevertheless, after 12 October 2016, being the ex-entitlement date of the Special Dividend, and up to the Latest Practicable Date, the closing prices of the H Shares were below the Offer Price. In light of the above, we wish to highlight to the Independent H Shareholders that the sustainability of the increased price level after the Upsurge was uncertain. As also shown by the above chart, save for the Upsurge, the movement of the daily closing price of the H Shares was generally in line with the movement of the HSI during the period from 3 February 2016 to the Latest Practicable Date.

In conclusion, the Offer Price represents premium to the closing price of the H Shares during the most recent period prior to and including the Last Trading Day (i.e. 3 July 2015 to 29 January 2016). Should there be no Offer and publication of the Joint Announcement, the closing price of the H Shares might not be recovered to a level close to/higher than the Offer Price after 3 February 2016.

As aforementioned, the Offer Price of HK$1.67 per Offer Share represents a discount of approximately 23% to the unaudited net asset value per Share as at 30 June 2016. We consider that the NAV Discount is acceptable as the closing prices per H Share for the majority of the trading days during the Review Period were below the net asset value per Share of RMB2.06 (equivalent to approximately HK$2.42) as at 30 June 2015, RMB1.91 (equivalent to approximately HK$2.24) as at 31 December 2015 and RMB1.84 (equivalent to approximately HK$2.16) as at 30 June 2016.

Historical trading liquidity of the H Shares

The number of trading days, the average daily number of the H Shares traded per month and the respective percentages of the H Shares' monthly trading volume as compared to total number of issued H Shares as at the Latest Practicable Date during the Review Period are tabulated as below:

Month	**No. of trading days in each month**	**Average daily trading volume (the "Average Volume")**	**% of the Average Volume to total number of issued H Shares held by the public as at Latest Practicable Date**	**% of the Average Volume to total number of issued H Shares as at Latest Practicable Date**
		Number of H Shares	*(Note 1)*	*(Note 2)*
			%	%
2015				
February	17	117,000	0.05	0.02
March	22	683,727	0.27	0.14
April	19	1,295,664	0.51	0.26
May	19	867,105	0.34	0.17
June	22	1,088,668	0.43	0.22
July	22	975,455	0.39	0.20
August	21	769,340	0.31	0.15
September	20	396,100	0.16	0.08
October	20	193,970	0.08	0.04
November	21	214,505	0.09	0.04
December	22	249,769	0.10	0.05
2016				
January	20	190,800	0.08	0.04
February *(Note 3)*	16	8,537,665	3.39	1.72
March	21	1,426,281	0.57	0.29
April	20	730,241	0.29	0.15
May	21	872,285	0.35	0.18
June	21	261,050	0.10	0.05
July	20	799,220	0.32	0.16
August	22	2,062,308	0.82	0.41
September	21	2,151,519	0.85	0.43
October	19	4,666,266	1.85	0.94
November (up to and including the Latest Practicable Date)	2	3,497,000	1.39	0.70
Maximum			3.39	1.72
Minimum			0.05	0.02
Average			0.58	0.29

Source: Bloomberg

Notes:

1. The total number of issued H Shares held by the public was 251,907,000 as at the Latest Practicable Date.

2. The total number of issued H Shares was 497,626,000 as at the Latest Practicable Date.

3. Trading in the H Shares was suspended from 1 February 2016 to 2 February 2016 (both days inclusive).

We noted from the above table that trading in the H Shares had been thin (the Average Volume to total number of issued H Shares held by the public as at Latest Practicable Date was below 2.0%) during each month of the Review Period, except for February 2016. The Average Volume to total number of issued H Shares held by the public as at Latest Practicable Date was relatively high in February 2016 as compared to the rest of the months in the Review Period. This may be caused by the market reaction to the publication of the Joint Announcement. After the Withdrawal of Listing which shall take effect following the end of the Offer Period, the liquidity of the H Shares may be severely reduced.

As the H Shares are illiquid, the disposal of a large block of H Shares held by Independent H Shareholders in the open market may trigger a price slump of the H Shares. For this reason, there is no guarantee that Independent H Shareholders will be able to realise their investments in the H Shares (especially those with relatively sizeable shareholdings) at a price which is substantially higher than the Offer Price and we consider that the Offer provides an exit alternative with the Offer Price being fair and reasonable for the Independent H Shareholders who would like to realise their investments in the H Shares.

Nonetheless, if any Independent H Shareholders who would like to realise their investments in the H Shares are able to dispose of their H Shares in the open market and/or identify potential purchaser(s) to acquire their H Shares at a price higher than the Offer Price, those Independent H Shareholders may consider not accepting the Offer but selling their H Shares in the open market and/or to such potential purchaser(s), as they wish to do so and as they think fit having regard to their own circumstances, in case the net proceeds from the sale of their H Shares would exceed the net amount receivable under the Offer.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular:

(i) the financial information as described under the section headed "Financial information on the Group" of this letter and we consider that it is uncertain as to whether the financial performance of the Group will improve in the future;

(ii) the Offer Price of HK$1.67 represented premium over (a) the closing price on the last full trading day prior to the suspension of trading in the H Shares on 1 February 2016; and (b) the average closing price of the H Shares for the last 5, 30, 60, 90 and 180 consecutive full trading days respectively prior to the suspension of trading in the H Shares on 1 February 2016;

(iii) the Offer Price equals to the closing price of the H Shares on 4 August 2016, being the date of announcement for the revised Offer Price;

(iv) the Offer Price represents premium to the closing price of the H Shares during the most recent period prior to and including the Last Trading Day (i.e. 3 July 2015 to 29 January 2016). Should there be no Offer and publication of the Joint Announcement, the closing price of the H Shares might not be recovered to a level close to/higher than the Offer Price after 3 February 2016;

(v) the Offer Price was below the closing prices of the H Shares in 122 out of 183 trading days during the period from 3 February 2016 to the Latest Practicable Date. Nevertheless, after 12 October 2016, being the ex-entitlement date of the Special Dividend, and up to the Latest Practicable Date, the closing prices of the H Shares were below the Offer Price;

(vi) the NAV Discount is acceptable as the closing prices per H Share for the majority of the trading days during the Review Period were below the net asset value per Share of RMB2.06 (equivalent to approximately HK$2.42) as at 30 June 2015, RMB1.91 (equivalent to approximately HK$2.24) as at 31 December 2015 and RMB1.84 (equivalent to approximately HK$2.16) as at 30 June 2016;

(vii) the sustainability of the increased price level after the publication of the Joint Announcement is uncertain; and

(viii) the H Shares are illiquid, the disposal of large block of H Shares held by the H Shareholders in the open market may trigger a price slump of the H Shares,

we consider that the terms of the Offer (including the Offer Price) are fair and reasonable so far as the Independent H Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent H Shareholders to accept the Offer.

Those Independent H Shareholders who (after considering the financial information as described under the section headed "Financial information on the Group" of this letter and our view that it is uncertain as to whether the financial performance of the Group will improve in the future) are still optimistic about the future financial performance of the Group may, having regard to their own circumstances, consider retaining all or any part of their H Shares (the "Retaining Shareholders").

The Offeror has no rights under the laws of the PRC and the articles of association of the Company to compulsorily acquire the Offer Shares outstanding and not tendered for the acceptance under the Offer after the close of the Offer.

In the event that the Retaining Shareholders do not accept the Offer and given that the Withdrawal of Listing shall take effect following the end of the Offer Period, (i) this will result in the Retaining Shareholders holding unlisted H Shares and the liquidity of the H Shares may be severely reduced; (ii) the rights/interests of the Retaining Shareholders will no longer be protected by the Listing Rules; and (iii) the Company may not continue to be subject to the Takeovers Code after the completion of the Offer depending on whether it remains as a public company in Hong Kong and the rights/interests of the Retaining Shareholders may no longer be protected by the Takeovers Code.

As different H Shareholders have different investment criteria, objectives and/or circumstances, we would recommend any H Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in investment banking industry.

1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Form(s) of Acceptance and Transfer in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

(a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed Form(s) of Acceptance and Transfer together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in an envelope marked "Anhui Tianda Oil Pipe Company Limited Offer" to be received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror and the Target may jointly announce with the consent of the Executive in accordance with the Takeovers Code.

(b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Offer Shares, you must either:

(i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form(s) of Acceptance and Transfer together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Offer Shares to be registered in your name by the Target through the Registrar, and send the duly completed Form(s) of Acceptance and Transfer together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Offer Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Offer Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

(c) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Offer Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Offer Shares, the Form(s) of Acceptance and Transfer should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(d) If you have lodged transfer(s) for any of your Offer Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Offer Shares, you should nevertheless complete the Form(s) of Acceptance and Transfer and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Anglo Chinese and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Form(s) of Acceptance and Transfer.

(e) Acceptance of the Offer will be treated as valid only if the completed Form(s) of Acceptance and Transfer is/are received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance to the Takeovers Code and the

Registrar has recorded that the acceptance and the relevant documents as required under this section have been so received, and is:

(i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Offer Shares; or

(ii) from a registered Offer Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Offer Shares which are not taken into account under another subparagraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange.

(f) If the Form(s) of Acceptance and Transfer is executed by a person other than the registered Offer Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

(g) Seller's ad valorem stamp duty for transfer of Offer Shares registered in the seller's name by the Target through the Registrar arising in connection with acceptance of the Offer will be payable by accepting Offer Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to such Offer Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of each relevant Offer Shareholder who accepts the Offer and will pay the buyer's ad valorem stamp duty in connection with acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

(h) No acknowledgement of receipt of any Form(s) of Acceptance and Transfer, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form(s) of Acceptance and Transfer must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form(s) of Acceptance and Transfer, and the Offer will close on the Closing Date.

(b) The Offeror and the Target will jointly issue an announcement through the websites of the Stock Exchange and the Target no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired.

(c) In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Offer Shareholders who have not accepted the Offer.

(d) If the Offeror revises the terms of the Offer, all Offer Shareholders, whether or not they have already accepted the Offer will be entitled to the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.

(e) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form(s) of Acceptance and Transfer to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer so extended.

3. ANNOUNCEMENT

(a) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement in accordance with the requirements of the Takeovers Code by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired.

Such announcement must state the following:

(i) the total number of Offer Shares and rights over Offer Shares for which acceptances of the Offer have been received;

(ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror and parties acting in concert with the Offeror before the Offer Period;

(iii) the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offeror and parties acting in concert with the Offeror during the Offer Period;

(iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Target which the Offeror and parties acting in concert with the Offeror have borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and

(v) the percentages of the relevant classes of issued share capital of the Target and the percentages of voting rights of the Target represented by these numbers.

(b) In computing the total number of Offer Shares represented by acceptances, only valid acceptances in complete and good order and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

(c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offer, in respect of which the Executive has confirmed that it has no further comments, will be published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Target (www.tiandapipe.com).

4. RIGHT OF WITHDRAWAL

(a) Acceptance of the Offer tendered by the Offer Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.

(b) If the Offeror is unable to comply with the requirements set out in section 3 of this Appendix I headed "Announcement" above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Offer Shareholders who have tendered acceptance to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirement of Rule 19 of the Takeovers Code can be met.

In such case, when the Offer Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance and Transfer to the relevant Offer Shareholder(s).

5. SETTLEMENT OF THE OFFER

Provided that the accompanying Form(s) of Acceptance and Transfer for the Offer Shares, together with the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each accepting Offer Shareholder in respect of the Offer Shares tendered under the Offer (less seller's ad valorem stamp duty payable by him/her/it) will be despatched to the accepting Offer Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within 7 Business Days from the date of receipt of all relevant documents to render such acceptance complete and valid by the Registrar in accordance with the Takeovers Code.

Settlement of the consideration to which any accepting Offer Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save with respect of the payment of seller's ad valorem stamp duty) set out in this Composite Document (including this Appendix I) and the accompanying Form(s) of Acceptance and Transfer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Offer Shareholder.

6. OVERSEAS SHAREHOLDERS

The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions in which they are resident. Overseas Shareholders should obtain appropriate legal advice regarding the implications of the Offer in the relevant jurisdictions or keep themselves informed about and observe any applicable legal or regulatory requirements. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes). The Offeror, the Target, their respective ultimate beneficial owners and parties acting in concert, Anglo Chinese, Gram Capital, Ascenda Cachet, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer shall be entitled to be fully indemnified and held harmless by the Overseas Shareholders for any taxes they may be required to pay. Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a representation and a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Offer.

7. TAX IMPLICATIONS

Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Offeror, the Target, their respective ultimate beneficial owners and parties acting in concert, Anglo Chinese, Gram Capital, Ascenda Cachet, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer is in a position to advise the Offer Shareholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

8. GENERAL

(a) All communications, notices, Form(s) of Acceptance and Transfer, certificates, transfer receipts and other documents of title and/or of indemnity and/or of any other nature to be delivered by or sent to or from the Offer Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Target, the Offeror, and their respective ultimate beneficial owners and parties acting in concert with them, Anglo Chinese, Gram Capital, Ascenda Cachet, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result thereof.

(b) Acceptance of the Offer by any person or persons will be deemed to constitute a representation and a warranty by such person or persons to the Offeror and Anglo Chinese that the Offer Shares tendered under the Offer (together with all rights accruing or attaching to them as at the date of this Composite Document or subsequently being attached to them, including, without limitation, the rights to receive all future dividends and other distributions, declared, made or paid, if any, by the Target on or after the date on which the Offer is made, i.e., the date of this Composite Document, but excluding the Special Dividend) are sold by such person or persons free from all Encumbrances.

(c) Acceptance of the Offer by any nominee will be deemed to constitute a representation and a warranty by such nominee to the Offeror that the number of Offer Shares in respect of which it is indicated in the Form(s) of Acceptance and Transfer is the aggregate number of Offer Shares held by such nominee for such beneficial owners who accept the Offer.

(d) The provisions set out in the accompanying Form(s) of Acceptance and Transfer form part of the terms of the Offer.

(e) The accidental omission to despatch this Composite Document and/or the accompanying Form(s) of Acceptance and Transfer or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.

(f) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

(g) Due execution of Form(s) of Acceptance and Transfer will constitute an authority to the Offeror and/or Anglo Chinese and/or such person or persons as any of them may direct to complete and execute on behalf of the person accepting the Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct, the Offer Shares in respect of which such person has accepted the Offer.

(h) The Offer is made in accordance with the Takeovers Code.

(i) References to the Offer in this Composite Document and in the Form(s) of the Acceptance and Transfer shall include any extension and/or revision thereof.

(j) The English text of this Composite Document and of the accompanying Form(s) of Acceptance and Transfer shall prevail over the Chinese text.

1. SUMMARY OF THE FINANCIAL INFORMATION

The following is a summary of: (i) the audited financial results of the Target Group for each of the three years ended 31 December 2013, 2014 and 2015; (ii) the assets and liabilities as at 31 December 2013, 2014 and 2015 as extracted from the audited consolidated financial statements of the Target Group for the financial years ended 31 December 2013, 2014 and 2015; (iii) the unaudited financial results of the Target Group for the six month periods ended 30 June 2015 and 2016; and (iv) the assets and liabilities as at 30 June 2015 and 2016 as extracted from the unaudited condensed consolidated financial statements of the Target Group for the six month periods ended 30 June 2015 and 2016.

Ernst & Young, the auditors of the Target, did not issue any qualified opinion on the financial statements of the Target Group for each of the years ended 31 December 2013, 2014 and 2015.

The Target Group had no items which are exceptional because of size, nature or incidence recorded in the financial statements of the Target Group for each of the years ended 31 December 2013, 2014 and 2015 and the six month ended 30 June 2016.

(1) Results

	Six months ended 30 June		Year ended 31 December		
	2016	**2015**	**2015**	**2014**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
REVENUE	766,402	1,085,988	2,032,445	2,881,955	3,309,690
Cost of sales	(746,080)	(1,018,794)	(1,946,529)	(2,635,524)	(3,080,350)
Gross profit	20,322	67,194	85,916	246,431	229,340
Other income and gains	12,741	30,097	50,933	36,086	26,410
Selling and distribution expenses	(53,150)	(55,748)	(107,933)	(140,171)	(138,791)
General and administrative expenses	(13,537)	(19,197)	(43,109)	(39,251)	(37,376)
Other expenses	(22,931)	(927)	(2,269)	(2,269)	(1,144)
Finance costs	(1,636)	(1,914)	(8,654)	(6,853)	(12,077)
PROFIT/(LOSS) BEFORE TAX	(58,191)	19,505	(25,116)	77,416	66,362
Income tax credit/(expense)	(11,160)	(4,876)	6,066	(19,637)	(17,077)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE TARGET	(69,351)	14,629	(19,050)	57,779	49,285

	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
	RMB'000 (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Audited)	*RMB'000* (Audited)	*RMB'000* (Audited)
Other comprehensive income for the year, net of tax	–	–	–	–	(510)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(69,351)	14,629	(19,050)	57,779	48,775
PROFIT/(LOSS) ATTRIBUTABLE TO:					
Owners of the parent	(69,351)	14,629	(19,050)	57,779	49,285
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the parent	(69,351)	14,629	(19,050)	57,779	48,775
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE TARGET					
Basic and diluted (RMB cents)	(6.88)	1.45	(1.89)	5.73	4.89
DIVIDEND	–	120,915	120,915	161,220	161,220
Dividend per Share attributable to ordinary equity holders of the Target (RMB cents)	–	12	12	16	16

Note: The dividend of RMB120,915,000 (RMB0.12 per Share) which appears in the columns for the audited financial results of the Target Group for the year ended 31 December 2015 and the unaudited financial results of the Target Group for the six month period ended 30 June 2015 relates to the same interim special dividend which was paid to the then Shareholders on 11 January 2016.

	30 June 2016	30 June 2015	31 December 2015	31 December 2014	31 December 2013
	RMB'000 (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Audited)	*RMB'000* (Audited)	*RMB'000* (Audited)
ASSETS AND LIABILITIES					
Total assets	2,671,837	3,146,003	2,858,097	2,939,473	3,186,390
Total liabilities	816,455	1,066,676	933,364	713,555	857,031
Total equity	1,855,382	2,079,327	1,924,733	2,225,918	2,329,359

2A. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the full text of the audited consolidated financial statements of the Target for the year ended 31 December 2015 prepared in accordance with Hong Kong Financial Reporting Standards extracted from the annual report of the Target for the year ended 31 December 2015.

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
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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the parent				
	Issued capital	**Share premium account**	**Statutory surplus reserve**	**Retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 25)	*(note 26)*	*(note 26)*	*(note 26)*	
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

NOTES TO FINANCIAL STATEMENTS
31 December 2015

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 Direct	Indirect	Principal activity
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.

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.

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.

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 or 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.

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.

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.

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.

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.

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.

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.

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.

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.

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	2014
	RMB'000	*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	2014
	RMB'000	*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	2014
	RMB'000	*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

(a) Independent non-executive directors

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

	2015	2014
	RMB'000	*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	Performance-related bonuses	Retirement benefit contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*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

	Salaries, allowances and benefits in kind	Performance-related bonuses	Retirement benefit contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*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	2014
	RMB'000	*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	**2014**
	RMB'000	*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

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	**2014**
	RMB'000	*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	**2014**
	RMB'000	*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

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	Provision for impairment of assets	Fair value adjustments arising from derivative financial instruments	Total
	RMB'000	*RMB'000*	*RMB'000*	*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	2014
	RMB'000	*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	Plant and machinery	Motor vehicles	Office equipment and other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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	2014
	RMB'000	*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	2014
	RMB'000	*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	2014
	RMB'000	*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	**2014**
	RMB'000	*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

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

	2015	**2014**
	RMB'000	*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	**2014**
	RMB'000	*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	2014
	RMB'000	*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

		2015	2014
	Notes	*RMB'000*	*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	2014
	RMB'000	*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	2014
	RMB'000	*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	2014
	RMB'000	*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	2014
	RMB'000	*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	2014
	RMB'000	*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	2014
	RMB'000	*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.

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	Issued capital	Share premium account	Total
	'000	*RMB'000*	*RMB'000*	*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	**2014**
	RMB'000	*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	**2014**
	RMB'000	*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	**2014**
	RMB'000	*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.

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

	2015	2014
	RMB'000	*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	2014
	RMB'000	*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

	2015	2014
	RMB'000	*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.

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)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*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)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*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)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*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.

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)

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.

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	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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

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	**2014**
	RMB'000	*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 "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 Offer is made) at either HK$1.66 per share (if the Delisting Resolution is not approved) or HK$1.67 (payable if the Delisting Resolution is approved), in accordance with the Hong Kong Code on Takeovers and Mergers.

Such Offer is subject to the completion of the Sale and Purchase Agreement. Upon completion of the 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	2014
	RMB'000	*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

Note:

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

	Share premium account	Statutory surplus reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*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.

2B. UNAUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE TARGET GROUP

The following is the full text of the unaudited condensed consolidated financial statements of the Target Group for the six months ended 30 June 2016 as extracted from the interim results of the Target Group for the six months ended 30 June 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2016	2015
	Notes	*RMB'000*	*RMB'000*
		(Unaudited)	(Unaudited)
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 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
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	Share premium	Available-for-sales investment revaluation reserve	Statutory surplus reserve	Retained profits	Proposed Dividend	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
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

NOTES

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**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
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	**2015**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
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	**2015**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
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**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
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	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
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	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
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	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
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	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
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	31 December 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
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 *RMB'000* (Unaudited)	31 December 2015 *RMB'000* (Audited)
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 RMB22,408,000 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 *RMB'000* (Unaudited)	2015 *RMB'000* (Unaudited)
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.

3. INDEBTEDNESS

Borrowings

At the close of business on 30 September 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this Composite Document, the Target Group did not have any bank loans.

Securities and guarantee

At the close of business on 30 September 2016, the Target Group had pledged notes receivable of approximately RMB37,819,000 for issuing bank accepted bills of exchange.

Contingent liabilities

At the close of business on 30 September 2016, the Target Group did not have any significant contingent liabilities.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 30 September 2016, the Target Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Target Group since 30 September 2016 up to and including the Latest Practicable Date.

4. MATERIAL CHANGE

The Directors confirm that save as and except for the below, there was no material change in the financial or trading position or outlook of the Target Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Target Group were made up, up to and including the Latest Practicable Date:

(i) the Target Group recorded a decrease in (a) revenue and cost of sales for the nine months ended 30 September 2016 as compared to the corresponding period in 2015, which was mainly attributable to the decrease in sales volume and average selling price of products 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; and (b) gross profit and gross profit margin for the nine months ended 30 September 2016 as compared to the corresponding period in 2015, which 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 Target 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. The decrease in sales volume and gross profit for the nine months ended 30 September 2016, together with the decrease in other income and gains; and the increase in other expenses, caused the Target Group to record net loss for the nine months ended 30 September 2016 as compared to a net profit for the corresponding period in 2015;

(ii) the Target Group recorded a decrease in other income and gains for the nine months ended 30 September 2016 as compared to the corresponding period in 2015, which was mainly due to the decrease in investment income from (a) bank financial products; and (b) foreign exchange forward contracts not qualifying as hedges;

(iii) the Target Group recorded a decrease in administrative expenses for the nine months ended 30 September 2016 as compared to the corresponding period in 2015, which was mainly due to the fact that the Target Group reversed inventory provision as well as continuously adopted measures to strengthen the controls over each cost items;

(iv) the Target Group recorded an increase in (a) other expenses for the nine months ended 30 September 2016 as compared to the corresponding period in 2015; and (b) other payables and accruals as at 30 September 2016 as compared to that as at 31 December 2015, which were mainly due to the order-loss provision;

(v) as a result of the reversal of the deferred tax assets, (a) the Target Group recorded an increase in income tax expenses for the nine months ended 30 September 2016 as compared to the corresponding period in 2015; and (b) the Target Group did not have deferred tax assets as at 30 September 2016;

(vi) the Target Group recorded an increase in inventories as at 30 September 2016 as compared to that as at 31 December 2015, which 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;

(vii) the Target Group recorded a decrease in trade and notes receivables as at 30 September 2016 as compared to that as at 31 December 2015, which was mainly due to the increase in settlement of payment by customers using telegraphic transfer instead of bank accepted bills;

(viii) the Target Group recorded an increase in prepayments, deposits and other receivables as at 30 September 2016 as compared to that as at 31 December 2015, which was mainly due to (a) the increase in settlement of payment for purchase of raw materials by way of bank accepted bills which led to the increase in pledged deposits; and (b) the increase in prepayments for the purchase of raw materials;

(ix) the Target Group recorded a decrease in cash and cash equivalents as at 30 September 2016 as compared to that as at 31 December 2015, which was mainly due to (a) the repayment of interest-bearing loans and borrowings during the nine months ended 30 September 2016 (the Target Group did not have interest-bearing loans and borrowings as at 30 September 2016 as a result); (b) the payment of interim special dividend in January 2016. The cash and cash equivalents of the Target Group was further reduced by the payment of the Special Dividend in October 2016; and

(x) the Target Group recorded an increase in trade and notes payables as at 30 September 2016 as compared to that as at 31 December 2015, which was mainly due to the increase in the issue of bank accepted bills as the result of the increase in the purchase of raw materials during the nine months ended 30 September 2016.

The Profit Estimate of Target Group for the nine months ended 30 September 2016 is set out in Appendix II to the composite document of the Target and Vallourec Tubes SAS dated 4 November 2016.

(A) BASES

The Profit Estimate of the Target Group for the nine months ended 30 September 2016 prepared by the Target's directors is based on the unaudited consolidated management financial statements of the Target Group for the nine months ended 30 September 2016 with the comparative figures for the corresponding period in 2015. The Profit Estimate has been prepared, in all material aspects, in accordance with the accounting policies consistent with those normally by the Target Group as set out in the annual report of the Target for the year ended 31 December 2015.

(B) LETTERS

Set out below are texts of letters received by our Directors from the Target's independent reporting accountants, Ascenda Cachet CPA Limited, Certified Public Accountants in Hong Kong.

(i) Letter from Ascenda Cachet CPA Limited

Ascenda CACHET 天健德揚

13F Neich Tower
128 Gloucester Road
Wanchai
Hong Kong

2 November 2016

The Board of Directors'
Anhui Tianda Oil Pipe Company Limited
Unit 406B, 4/F Mirror Tower
61 Mody Road, Tsim Sha Tsui
Kowloon, Hong Kong

Dear Sirs,

Anhui Tianda Oil Pipe Company Limited ("the Target")
Profit estimate for the nine months ended 30 September 2016

We refer to the following statements ("**Profit Estimate**") set out in Appendix II to the composite document of the Target and Vallourec Tubes SAS dated 4 November 2016 (the "**Composite Document**").

(i) the Target Group recorded a decrease in (a) revenue and cost of sales for the nine months ended 30 September 2016 as compared to the corresponding period in 2015, which was mainly attributable to the decrease in sales volume and average selling price of products 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; and (b) gross profit and gross profit margin for the nine months ended 30 September 2016 as compared to the corresponding period in 2015, which 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 Target 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. The decrease in sales volume and gross profit for the nine months ended 30 September 2016, together with the decrease in other income and gains; and the increase in other expenses, caused the Target Group to record net loss for the nine months ended 30 September 2016 as compared to a net profit for the corresponding period in 2015; and

(ii) the Target Group recorded a decrease in other income and gains for the nine months ended 30 September 2016 as compared to the corresponding period in 2015, which was mainly due to the decrease in investment income from (a) bank financial products; and (b) foreign exchange forward contracts not qualifying as hedges.

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Target based on the unaudited consolidated management accounts of the Target Group for the nine months ended 30 September 2016 with the corresponding figures for the corresponding period in 2015.

The Target's directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Target's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Target Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculation are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III(A) to the Composite Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Target Group as set out in the annual report of the Target for the year ended 31 December 2015.

Yours faithfully
Ascenda Cachet CPA Limited
Certified Public Accountants

Chan Yuk Tong
Practicing Certificate Number P03723
Hong Kong

The following is the text of a report on the Profit Estimates (as defined hereinafter) prepared for the sole purpose of inclusion in the Composite Document, received from Gram Capital, being the Independent Financial Adviser.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

2 November 2016

The Board of Directors
Anhui Tianda Oil Pipe Company Limited
Zhenxing Road, Tongcheng Town
Tianchang City, Anhui Province
PRC

Dear Sirs,

Reference is made to the Composite Document to be jointly issued by the Offeror and the Target in respect of the Offer. Capitalised terms used in this letter shall have the same respective meanings as defined in the Composite Document unless the context otherwise required.

We refer to the below statements made by the Target under the Composite Document (the "**Profit Estimates**"):

(i) the Target Group recorded a decrease in (a) revenue and cost of sales for the nine months ended 30 September 2016 as compared to the corresponding period in 2015, which was mainly attributable to the decrease in sales volume and average selling price of products 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; and (b) gross profit and gross profit margin for the nine months ended 30 September 2016 as compared to the corresponding period in 2015, which 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 Target 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. The decrease in sales volume and gross profit for the nine months ended 30 September 2016, together with the decrease in other income and gains; and the increase in other expenses, caused the Target Group to record net loss for the nine months ended 30 September 2016 as compared to a net profit for the corresponding period in 2015; and

(ii) the Target Group recorded a decrease in other income and gains for the nine months ended 30 September 2016 as compared to the corresponding period in

2015, which was mainly due to the decrease in investment income from (a) bank financial products; and (b) foreign exchange forward contracts not qualifying as hedges.

The Profit Estimates constitute profit forecast under Rule 10 of the Takeovers Code and must be reported on by the financial adviser and the auditors or consultant accountants. This report is issued in compliance with the requirements under Rule 10.4 and Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code.

We have reviewed the Profit Estimates and other relevant information and documents (in particular, the unaudited consolidated management account of the Target Group for the nine months ended 30 September 2016 with comparative figures for the corresponding period in 2015 (the "**Mgt Account & Comparative Figures**")) which you as the Directors are solely responsible for and discussed with you and the senior management of the Target the information and documents (in particular, the Mgt Account & Comparative Figures) provided by you which formed the bases (i.e. the Mgt Account & Comparative Figures) upon which the Profit Estimates have been made. In respect of the accounting policies and calculations concerned, upon which the Profit Estimates have been made, we have relied upon the report as contained in Appendix III to the Composite Document addressed to the Board from Ascenda Cachet, being the consultant accountant of the Target. Ascenda Cachet is of the opinion that so far as the accounting policies and calculations are concerned, the Profit Estimates have been properly compiled with in accordance with the bases made by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Target Group as set out in the annual report of the Target for the year ended 31 December 2015.

On the basis of the foregoing, we are of the opinion that the Profit Estimates, for which the Directors are solely responsible, has been made with due care and consideration.

We hereby give and have not withdrawn our consent to the issue of the Composite Document with the inclusion therein of this report.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. RESPONSIBILITY STATEMENTS

The Offeror Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that in relation to the Target Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Target Group, the Directors, Ascenda Cachet and Gram Capital) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statements in this Composite Document misleading.

The Offeror Parent Management Members jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that in relation to the Target Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Target Group, the Directors, Ascenda Cachet and Gram Capital) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statements in this Composite Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that in relation to the Offeror Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statements in this Composite Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Target as at the Latest Practicable Date was as follows:

Domestic Shares

Authorised	*RMB*
510,000,000 Shares	255,000,000
Issued	
510,000,000 Shares	255,000,000

H Shares

Authorised	*RMB*
497,626,000 Shares	248,813,000
Issued	
497,626,000 Shares	248,813,000

Save for the 510,000,000 Domestic Shares and 497,626,000 H Shares in issue, the Target did not have any outstanding options, warrants or derivatives or convertible rights affecting the Shares as at the Latest Practicable Date.

All Shares in issue rank pari passu in all respects with each other including rights to dividends, voting and return of capital. The Target has not issued any Shares since 31 December 2015, the date to which the latest published audited financial statements of the Target Group were made up, up to the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

Interests of the Directors in the Shares

As at the Latest Practicable Date, details of interests of the Directors in the Shares were as follows:

H shares of RMB0.5 each of the Target

Name of Directors or Supervisors	**Number of shares**	**Nature of Interest**	*notes*	**Percentage of total number of Shares in Issue** *(%)*
Ye Shiqu	864,000,000 (L)	Interest in controlled corporation and concert parties	*(3)*	85.75%
	29,719,000 (L)	Interest in controlled corporation	*(4)*	2.95%
Ye Shiqu	20,000,000 (S)	Interest in controlled corporation	*(2)*	1.99%

Name of Directors or Supervisors	Number of shares	Nature of Interest	*notes*	Percentage of total number of Shares in Issue *(%)*
Zhang Huming	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 Shiqu	RMB198,985,900	Beneficial owner		85.14%
Tianda Investment	Ye Shiqu	RMB50,000,000	Interest in controlled corporation	*(1), (2)*	100%
Tiancheng Changyun International Company Limited	Ye Shiqu	HK$46,681,980	Interest in controlled corporation	*(1), (2)*	100%
Tianfa International Development Co., Limited	Ye Shiqu	US$6,000,000	Interest in controlled corporation	*(4)*	100%
Tianda Holding	Zhang Huming	RMB9,166,700	Beneficial owner		3.92%

Notes:

1. Ye Shiqu holds 85.14% of the equity interest in Tianda Holding. Tianda Holding is interested in (i) 408,000,000 Domestic Shares with long position; (ii) 408,000,000 Domestic Shares with short position; and (iii) 100% of the equity interest in Tianda Investment.

   Tianda Investment is interested in (i) 102,000,000 Domestic Shares with long position; and (ii) 102,000,000 Domestic Shares with short position. Accordingly, Ye Shiqu 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.

2. Ye Shiqu 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 International Company Limited, which in turn is interested in (i) 216,000,000 H Shares with long position; and (ii) 20,000,000 H Shares with short position. Accordingly, Ye Shiqu 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.

3. The Offeror, Tianda Holding, Tianda Investment, Tiancheng Changyun International Company Limited, Ye Shiqu and Zhang Huming entered into Shareholders Agreement on 15 September 2010. Section 317 of the SFO shall apply to this agreement. The Offeror, Tianda Holding, Tianda Investment, Tiancheng Changyun International Company Limited, Ye Shiqu and Zhang Huming are concert parties with each other in relation to (i) 2,550,000,000 Domestic Shares (which refers to the same lot of 510,000,000 Domestic Shares) and (ii) 864,000,000 H Shares (which refers to same lot of 216,000,000 H Shares) which they are jointly interested in. The Shareholders Agreement shall terminate on the closing date of the Sale and Purchase Agreement, which is expected to be on or around 14 November 2016.

4. Ye Shiqu 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 100% of equity interest in Tianfa International Development Co., Limited. Tianfa International Development Co., Limited holds 29,719,000 H Shares. Accordingly, Ye Shiqu is deemed to be interested in these additional 29,719,000 H Shares in the Target.

The above named Directors intend, in respect of the above Offer Shares, to accept the Offer.

Interests of the Offeror and parties acting in concert with it in the Shares

As at the Latest Practicable Date, details of the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Target held or controlled by the Offeror and parties acting in concert with it were as follows:

Name of Offeror/ parties acting in concert with it	Capacity	Shares	Number of Shares held	Approximate % of interest
The Offeror	Owner	Domestic Shares	510,000,000	50.61%
		H Shares	196,000,000	19.45%
The Offeror Parent	Beneficial Owner	Domestic Shares	510,000,000	50.61%
		H Shares	196,000,000	19.45%

Notes:

1. As at the Latest Practicable Date, the Offeror controls approximately 70.06% of the total issued share capital of the Target (comprising Domestic Shares and H Shares).

2. The Offeror is a wholly-owned subsidiary of the Offeror Parent. As such, the Offeror Parent is deemed to be interested in all the Shares in which the Offeror is interested by virtue of the SFO.

3. The Offeror is party to the Shareholders' Agreement. Pursuant to the Sale and Purchase Agreement, the Shareholders' Agreement will be terminated on the closing date of the Sale and Purchase Agreement which is expected to be on or around 14 November 2016.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, the Offeror Parent and parties acting in concert with them had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Target.

4. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

As at the Latest Practicable Date:

(a) none of the Offeror Directors had any interests in any Shares, convertible securities, warrants, options of the Target or any derivatives in respect of such securities, or had dealt for value in any Shares, convertible securities, warrants, options of the Target or any derivatives in respect of such securities during the Relevant Period;

(b) save as disclosed in the section headed "Disclosure of Interests — Interests of the Offeror and parties acting in concert with it in the Shares" in this Appendix V, and save for the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement (for which the Effective Transfer Date was 28 October 2016) by the Offeror, none of the Offeror, the Offeror Parent or any persons acting in concert with any of them owned or controlled any Shares, convertible securities, warrants, options of the Target or any derivatives in respect of such securities or had dealt for value in any Shares, convertible securities, warrants, options of the Target or any derivatives in respect of such securities during the Relevant Period;

(c) the Offeror had no intention to transfer, charge or pledge the H Shares acquired in pursuance with the Offer to any other persons;

(d) neither the Offeror nor parties acting in concert with it has received any irrevocable commitment to accept or reject the Offer;

(e) save for the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement by the Offeror and the Shareholders' Agreement, none of the Offeror, the Offeror Parent or any persons acting in concert with either of them, is party to any arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons in relation to the Shares.

The shareholdings in the Target of the parties to the Sale and Purchase Agreement and the Shareholders' Agreement (other than the Offeror) are as follows:

Name of Substantial Shareholders	**Number of H Shares**	**Nature of Interest**	*notes*	**Percentage of total number of Shares in Issue** *(%)*
Tianda Holding	20,000,000	Interest in controlled corporation	*(1)*	1.98%
	29,719,000	Interest in controlled corporation	*(2)*	2.95%
Tianda Investment	29,719,000	Interest in controlled corporation	*(2)*	2.95%

Notes:

1. 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 International Company Limited, which in turn holds 20,000,000 H shares in the Target. Accordingly, Tianda Holding indirectly holds 20,000,000 H shares in the Target.

2. Ye Shiqu 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 100% of equity interest in Tianfa International Development Co., Limited. Tianfa International Development Co., Limited holds 29,719,000 H Shares. Accordingly, both Tianda Holding and Tianda Investment indirectly hold 29,719,000 H Shares in the Target.

Except in connection with the Sale and Purchase Agreement, no person whose dealing would be required to be disclosed under this paragraph has dealt in the Target in the Relevant Period;

(f) none of the Offeror, the Offeror Parent or any persons acting in concert with either of them, had borrowed or lent any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Target during the Relevant Period;

(g) save for the Sale and Purchase Agreement, no agreement, arrangement or understanding (including any compensation arrangement) exists between the Offeror, the Offeror Parent or any persons acting in concert with any of them and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer;

(h) there is no agreement or arrangement to which the Offeror is a party which relates to circumstances in which the Offeror may or may not seek to invoke a pre-condition or a condition to the Offer;

(i) the Target did not have any beneficial interest in the shares, convertible securities, warrants, options of the Offeror or any derivatives in respect of such securities, and the Target had not dealt for value in any shares, convertible securities, warrants or options of the Offeror or any derivatives in respect of such securities during the Relevant Period;

(j) save as disclosed in the section headed "Disclosure of Interests — Interests of the Directors in the Shares" in this Appendix V, and save for the sale of the Sale Shares pursuant to the Sale and Purchase Agreement (for which the Effective Transfer Date was 28 October 2016) by Mr. Ye Shiqu and Mr. Zhang Huming (each as beneficial owners of Shares through their interests in the Vendors), none of the Directors had any interests in any shares, convertible securities, warrants, options of the Offeror or the Target or any derivatives in respect of such securities, and none of the Directors had dealt for value in any shares, convertible securities, warrants, options of the Offeror or the Target or any derivatives in respect of such securities during the Relevant Period;

(k) none of (i) the subsidiaries of the Target; (ii) the pension fund of the Target or of a subsidiary of the Target; or (iii) any advisers to the Target (as specified in class (2) of the definition of "associate" under the Takeovers Code) had any interests in the Shares, convertible securities, warrants, options of the Target or any derivatives in respect of such securities, and none of them had dealt in any Shares, convertible securities, warrants, options of the Target or any derivatives in respect of such securities during the period from and including 2 February 2016, being the date of the Joint Announcement, up to and including the Latest Practicable Date;

(l) save for the parties to the Sale and Purchase Agreement and the Shareholders' Agreement, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Target or with any person who is an associate of the Target by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code during the period from and including 2 February 2016, being the date of the Joint Announcement, up to and including the Latest Practicable Date;

(m) no Shares, convertible securities, warrants, options of the Target or any derivatives in respect of such securities were managed on a discretionary basis by any fund managers (other than exempt fund managers) connected with the Target during the period from and including 2 February 2016, being the date of the Joint Announcement, up to and including the Latest Practicable Date;

(n) no Shares, convertible securities, warrants, options of the Target or any derivatives in respect of such securities had been borrowed or lent by any of the Directors or by the Target;

(o) no benefit was or will be given to any Director as compensation for loss of office in any members of the Target Group or otherwise in connection with the Offer;

(p) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and

(q) save for the Sale and Purchase Agreement and the Shareholders' Agreement, there was no material contract entered into by the Offeror in which any Director has a material personal interest.

5. MARKET PRICES

The table below sets out the closing prices of the H Shares on the Stock Exchange on: (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the last Business Day of each of the calendar months during the Relevant Period.

	Closing price *(HK$)*
2 November 2016 (being the Latest Practicable Date)	1.66
31 October 2016	1.66
30 September 2016	1.92
31 August 2016	1.84
29 July 2016	1.67
30 June 2016	1.65
31 May 2016	1.65
29 April 2016	1.71
31 March 2016	1.74
29 February 2016	1.77
29 January 2016 (being the Last Trading Day and the end of the calendar month)	1.05
31 December 2015	1.14
30 November 2015	1.28
30 October 2015	1.26
30 September 2015	1.24
31 August 2015	1.19

During the Relevant Period, the highest closing price quoted on the Stock Exchange was HK$1.93 per H Share on 4 October 2016, 7 October 2016 and 11 October 2016 and the lowest closing price quoted on the Stock Exchange was HK$1.02 per H Share on 26 January 2016.

6. LITIGATION

As at the Latest Practicable Date, no member of the Target Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Target Group.

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, no material contract (being a contract entered into otherwise than in the ordinary course of business carried on or intended to be carried on by the Target Group) had been entered into by any member of the Target Group in the period starting two years before the commencement of the Offer Period and ending on the Latest Practicable Date.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts contained in this Composite Document:

Name	Qualification
Anglo Chinese	A licensed corporation under the SFO, licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the financial adviser to the Offeror in relation to the Offer
Gram Capital	A licensed corporation under the SFO licensed to conduct Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee in respect of the Offer
Ascenda Cachet	A member firm of the Hong Kong Institute of Certified Public Accountants, and engaged to report on certain aspects of the Target's statement in section 4 of Appendix II

Each of Anglo Chinese, Gram Capital and Ascenda Cachet has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter or letters (as the case may be) and the references to its name in the form and context in which they appears herein.

9. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Target or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) have been entered into or amended within 6 months preceding the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period.

None of the Directors has entered into any service contact or has an unexpired service contract with the Target which is not determinable by the Target within one year without payment of compensation (other than statutory compensation).

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Target (http://www.tiandapipe.com); (ii) on the website of the SFC (www.sfc.hk); and (iii) at the principal office of the Target in Hong Kong at Unit 406B, 4/F Mirror Tower, 61 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong during normal business hours from the date of this Composite Document up to and including the Closing Date:

(a) the articles of association of the Target;

(b) the memorandum and articles of association (*statuts*) of the Offeror;

(c) the annual reports of the Target for the two years ended 31 December 2014 and 31 December 2015, respectively;

(d) the interim reports of the Target for the six months ended 30 June 2016 and 30 June 2015, respectively;

(e) the letter from Anglo Chinese, the text of which is set out on pages 7 to 17 of this Composite Document;

(f) the letter from the Board, the text of which is set out on pages 18 to 25 of this Composite Document;

(g) the letter from the Independent Board Committee to the Offer Shareholders, the text of which is set out on pages 26 to 27 of this Composite Document;

(h) the letter from Gram Capital to the Independent Board Committee, the text of which is set out on pages 28 to 43 of this Composite Document;

(i) the report from Ascenda Cachet, the text of which is set out on pages III-1 to III-3 of this Composite Document;

(j) the report from Gram Capital, the text of which is set out on pages IV-1 to IV-2 of this Composite Document;

(k) the written consents referred to under the section headed "Experts and Consents" in this Appendix V; and

(l) the Circular.

11. MISCELLANEOUS

(a) The registered office of the Target is situated at Zhenxing Road, Tongcheng Town, Tianchang City, Anhui Province, the PRC and its principal office in Hong Kong is located at Unit 406B, 4/F Mirror Tower, 61 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.

(b) Set out below are details of the Offeror, the Offeror Parent, the Offeror Directors and the Offeror Parent Management Members:

(i) the Offeror

Registered Address	**The Offeror Directors**
27 avenue du Général Leclerc, 92100 Boulogne-Billancourt, France	Mr. Philippe Jacques Georges Crouzet Mr. Oliver Bruno Benedict Mallet Mr. Jean-Pierre Michel

(ii) Offeror Parent

Registered Address	**The Offeror Parent Management members**
27 avenue du Général Leclerc, 92100 Boulogne-Billancourt, France	Mr. Philippe Jacques Georges Crouzet Mr. Oliver Bruno Benedict Mallet Mr. Jean-Pierre Michel

(c) The Registrar and transfer agent of the Target in Hong Kong is Computershare Hong Kong Investor Services Limited, with its registered address at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The Hong Kong office of Anglo Chinese is situated at 40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

(e) The English text of this Composite Document and the accompanying Form(s) of Acceptance and Transfer shall prevail over their respective Chinese text in case of inconsistency.