

Executive Directors:

Mr. Ye Shiqu (*Chairman*)
Mr. Zhang Huming (*Deputy Chairman*)
Ms. Fu Jun

Registered office:

Zhenxing Road, Tongcheng Town
Tianchang City, Anhui Province
the PRC

Non-executive Directors:

Mr. Liu Peng
Mr. Bruno Saintes

Principal place of business

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

Independent Non-executive Directors:

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

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		Year ended 31 December		
	30 June		2015	2014	2013
	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	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Domestic Shares				
Vendors	510,000,000	50.61%	–	–
Offeror and persons acting in concert with it	–	–	510,000,000	50.61%
Total Domestic Shares	<u>510,000,000</u>	<u>50.61%</u>	<u>510,000,000</u>	<u>50.61%</u>
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	<u>251,907,000</u>	<u>25.00%</u>	<u>251,907,000</u>	<u>25.00%</u>
Total H Shares	<u>497,626,000</u>	<u>49.39%</u>	<u>497,626,000</u>	<u>49.39%</u>
Total share capital of the Target	<u>1,007,626,000</u>	<u>100%</u>	<u>1,007,626,000</u>	<u>100%</u>

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

A handwritten signature in black ink, consisting of stylized Chinese characters, positioned to the right of the printed name and title.