

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